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Statistical Reference Index
Acquisitions
4520 East West Highway - Suite 800
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STATISTICAL BULLETIN

11/17/86 R4105-3 A

Volume 19, No. 9, October, 1986

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The Conference Board
70th Anniversary



THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

- * JOB AND HOURS GROWTH STILL SLUGGISH
- * YET INDUSTRIAL OUTPUT IS STARTING TO RISE
- * AS NEW ORDERS CONTINUE TO IMPROVE
- * BUT CONSTRUCTION IS STARTING TO WEAKEN
- * AND THE TRADE DEFICIT IS WIDENING
- * OUTLOOK * A RELATIVELY STRONG FOURTH QUARTER
MAY NOT BE FOLLOWED BY A RELATIVELY STRONG
FIRST QUARTER OF 1987.

OVERVIEW: Despite continued good news on inflation and interest rates, this economy carries little dynamism into its 5th year of expansion. Consumer spending is fairly strong but home buying is slumping and business investment continues to falter. Services keep expanding but industrial output is depressed. The trade deficit is widening even though the dollar is lower. Job growth remains sluggish and that helps hold down wage-income growth. Nonwage-income growth has started to falter. Specifically, rents and dividends are rising more slowly now. The stock-market decline reverses some of the 'wealth effect' that was bolstering consumer demand. Altogether, the economy goes into its 5th year of expansion with the uneven distribution of growth it carried through this last year.

DOMESTIC MARKET MONITOR

Improvement in labor market conditions has been relatively slow over the last year and a half. The latest data show little evidence of much change in that trend. Indeed, demand for labor is not rising now. The **Economic Forecasts** are indicating that nothing dramatic is likely to develop in the labor market over the next year or so.

Job growth has been and remains uneven. Total employment grew at a 1.8% annual rate over the last year and a half. Manufacturing employment, however, declined at a 1.6% rate. That pattern was essentially unchanged in the latest 3-month period. Thus, although manufacturing accounts for only 23% of nonagricultural employment, declines in factory jobs has offset job creation elsewhere. That is limiting the rise in income and may have dampened consumer attitudes a bit. Finally, there is a concern that it may contribute to a weakening in consumer demand in 1987.

Slow job growth and scarce change in the average work-week have limited the rise in hours. Total hours worked in private industry were only 2% higher, annual rate, in the third quarter. In fact, the consensus of the **Economic Forecasts** is that real output only rose at a 2.4% rate in that quarter.

Job growth is not expected to turn sharply upward. The Conference Board's **Help-wanted Index** stood at 134 (1967=100) in August, about the same as in April. Early returns to the September survey show little change. Nor is much change anticipated. The consensus of the **Economic Forecasts** is that the unemployment rate will stay around 7% in the last half of the year.

INCOME: After a long period of little change, pay rates have started to inch higher. The average hourly pay rate in private industry was \$8.77 in September, 4 cents higher than it was 2 months earlier.

The rise in pay rates varies by sector. Wages in commodity-producing industry were only 0.3% higher in August than 3 months earlier. Wage income in other sectors continues to expand moderately: 1.5% higher in August than 3 months earlier. That was principally due to strong gains in services and for government employees.

Nonwage-income growth, conversely, has slowed. After months of explosive growth, rental income was only 4.2% higher in August than 3 months earlier. Dividends were only 1.2% higher.

SPENDING: Consumer demand remains relatively strong. With 2.9% financing promotions, car sales literally zoomed right off the chart. But nonauto buying has been fairly strong as well. For example, furniture and appliance sales were 3.4% higher in August than 3 months earlier.

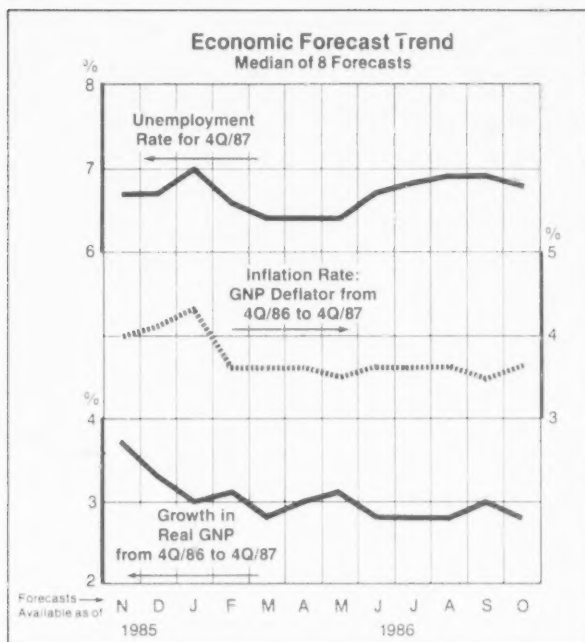
Nonretail spending has also been strong. Consumer spending on services was 0.9% higher, deflated. Total non-durable spending was 0.7% higher. Durable sales were 5.5% higher, reflecting the surge in car buying.

CONSTRUCTION: Single-family home sales have declined for 5 straight months, despite lower mortgage costs. Hence, construction slowed. Single-unit housing starts were 3.5% lower in August than 3 months earlier.

Multi-unit construction is considerably weaker than single-unit building. To be sure, multi-unit starts were 2.1% higher in August than 3 months earlier. But that level is still 6% lower than one year earlier. Single-unit starts were almost 12% higher in August than one year earlier.

Ken Goldstein, Editor

STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.



The drop in nonresidential construction seems to be abating. The value of new commercial construction was 6.6% higher, deflated, in August than 3 months earlier. But office building was 1.6% lower and industrial building was 3.4% lower. With the tax law passed, uncertainty over tax liability seems to be diminishing. Interest rates have come down. And office vacancy rates are no longer rising. These factors may be contributing to an end to falling nonresidential construction.

PRODUCTION: Industrial output was 0.4% higher in August than 2 months earlier. Employment and hours numbers suggest that it may have risen a bit in September. Capacity utilization rates have also started to turn around.

Improving conditions in production are clearly tied to a pick-up in new orders. Total new durable-goods orders were 0.3% higher in August than 3 months earlier. Non-defense orders were 0.5% higher. And orders for primary metals, which had been very soft for a long time, have started to rise sharply in recent months.

INVENTORY: One potential problem is whether the recent pick-up in output will simply wind itself down. Industrial sales were weak through July and total inventory accumulated a bit. Nondurable inventory was 0.3% higher in July than 3 months earlier. Durable inventory was 0.5% higher. Still the rise in new orders in August may indicate that industry sales will go up.

Although declines in nonresidential construction may be ending, total business investment remains weak. The Conference Board's survey of **Capital Appropriations and Expenditures** shows that capital spending by the nation's

1,000 largest manufacturers was 9.1% lower in the second quarter of 1986 than one year earlier. But appropriations (approval of new spending plans) were 32% lower.

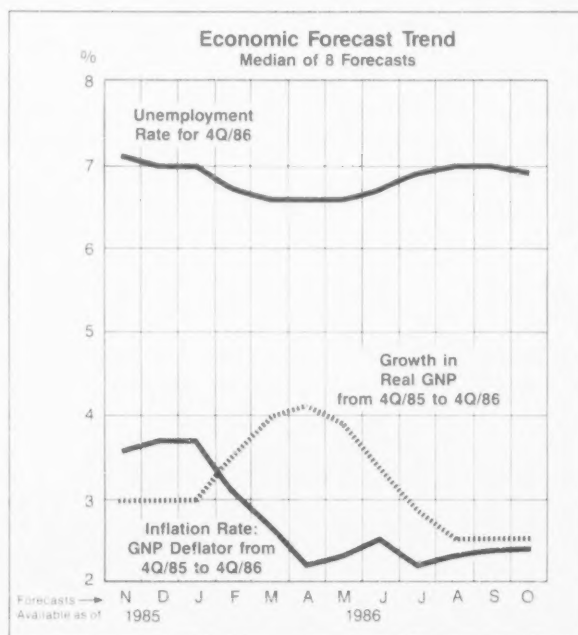
PRICES: Raw commodity prices have been recovering since May. In particular, raw industrial prices were 0.5% higher in September than 5 months earlier and metal prices were 6.6% higher. Food prices, however, have not been rising—perhaps partly due to bountiful harvests. Nevertheless, the outlook for both crop and meat prices is for steady increases.

INTERNATIONAL MONITOR

While the trade deficit is indeed widening, some of trade figures are a little misleading. After rising by 13% over 2 months, total imports fell 13.5% in August. Most of that rise and fall was due a swing in shipments of manufactured goods, especially aircraft and parts. Both car shipments from Japan and Canada were also sharply lower in August.

While import figures have moved erratically, exports have remained fairly flat. Exports of manufactured goods, however, were 1.9% lower in August than 3 months earlier. Exports to Japan were up 31 percent. But exports to Canada and Europe fell substantially. That's worrisome. Exports to Europe and Canada will have to start rising in order to keep the trade gap from widening even more. Exports to Japan are unlikely to continue growing as sharply as they have.

Ken Goldstein
October 15, 1986

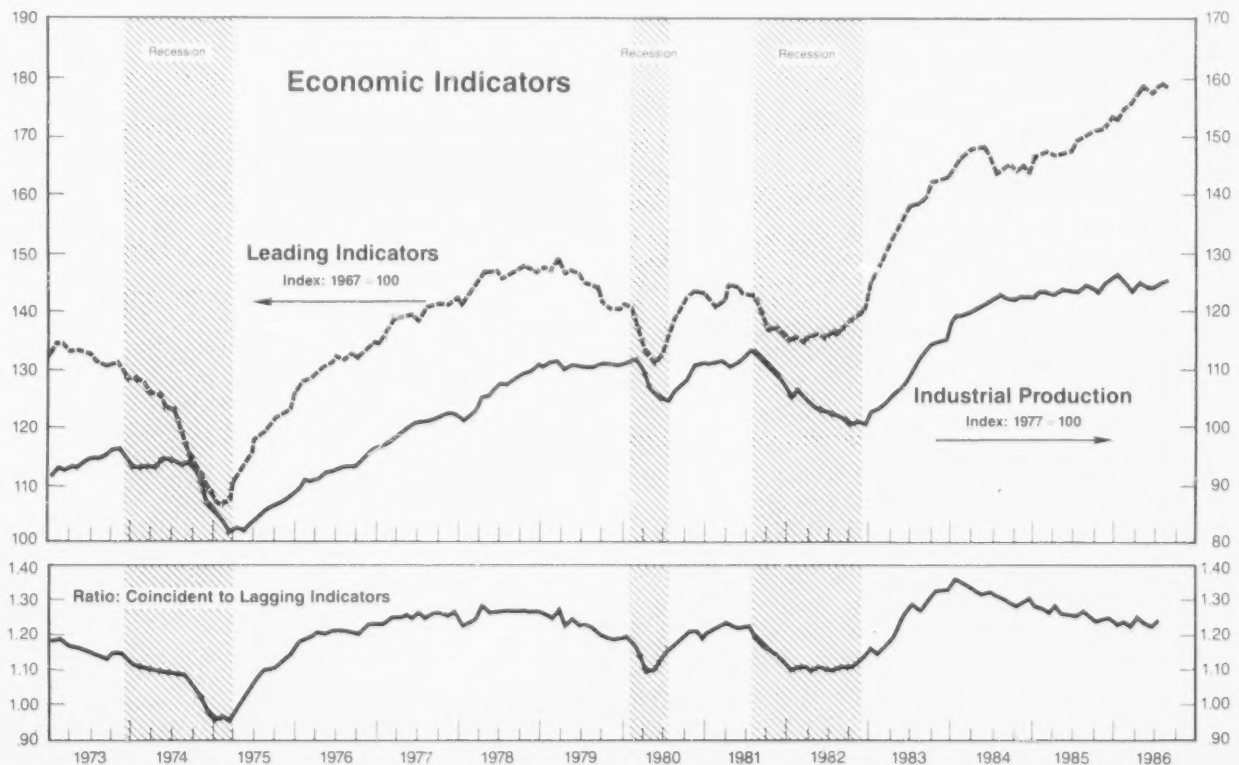


STATUS OF LEADING ECONOMIC INDICATORS

		Rising (Classification based on movement of series over several months)	Level	Declining	Change over latest three months	Change From Year-Ago
Leading Economic Indicators	Aug.	X			0.5%	5.5%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Aug.	X			4.8%	- 1.4%
*New orders, nondefense capital goods (deflated)	Aug.	X			5.2%	0.9%
*New business formation	Aug.		X		- 0.5%	1.4%
*Housing permits	Aug.			X	- 6.5%	- 6.1%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Aug.		X		2.0%	0.6%
*Change in inventory, on hand & order (deflated)	July			X	- 36.8%	- 3.7%
Purchasing agents' buying policy	Sep.		X		1.0%	2.0%
*Vendor performance, reported slower deliveries	Sep.		X		2.0%	10.0%
Industrial raw materials prices	Sep.			X	- 2.1%	- 7.5%
*Change in sensitive material prices	Aug.		X		0.1%	0.3%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Aug.	X			2.1%	6.6%
Change in business loans	Aug.	X			29.5%	47.7%
*Change in credit outstanding	Aug.		X		- 0.7%	- 0.6%
Change in consumer installment debt	Jul.		X		13.0%	- 16.9%
Profitability						
Total corporate profits, after tax (deflated)	2nd Q	X			4.2%	9.5%
*Common stock prices	Sep.		X		- 1.6%	31.1%
Marginal Employment Adjustments						
*Average workweek, mfg.	Sep.		X		0.2hr	0.1hr
*Initial unemployment claims (inverted)	Sep.		X		- 1.9%	- 1.0%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



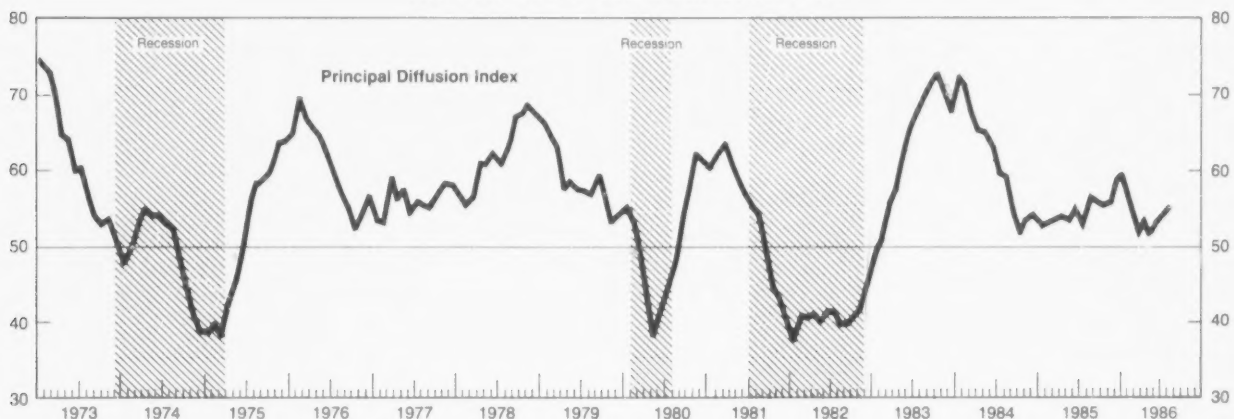
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1985	1986			
	Aug.	May	Jun.	Jul.	Aug. (e)
Principal Diffusion Index	56.1	51.8r	53.5r	54.0r	55.7
Auxiliary Diffusion Index	47.9	41.7r	55.5r	51.7r	55.4
Industrial Group	60.7	47.2r	50.8r	52.7r	53.7
Nonindustrial Group	51.4	56.4	56.3r	55.3r	57.7
Sense of Diffusion	1	0	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	61.8	60.7r	61.5r	67.5r	72.6
Labor	62.6	45.9r	48.6r	48.2r	49.4
Miscellaneous	54.5	30.1	39.7	41.7	35.9
Nonindustrial Subgroups					
Prices	41.0	61.5	68.6	67.3	66.0
Consumer	65.4	66.2	66.2r	70.9r	70.5
Building	53.2	42.9	39.7	33.0	42.3
Miscellaneous	43.2	52.1	49.1	46.6r	49.6

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1984				1985				1986		
	Feb.	May	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	Nov.
Score (scale 0-100)											
Measure of Business Confidence	70	65	61	57	61	52	51	55	61	61	50
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	76	75	70	57	62	48	45	53	63	61	44
2. Expectations for Economy, Six Months Ahead	67	60	57	57	61	53	53	56	62	62	52
3. Expectations for Own Industry, Six Months Ahead	67	61	57	58	61	55	54	56	59	60	54

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

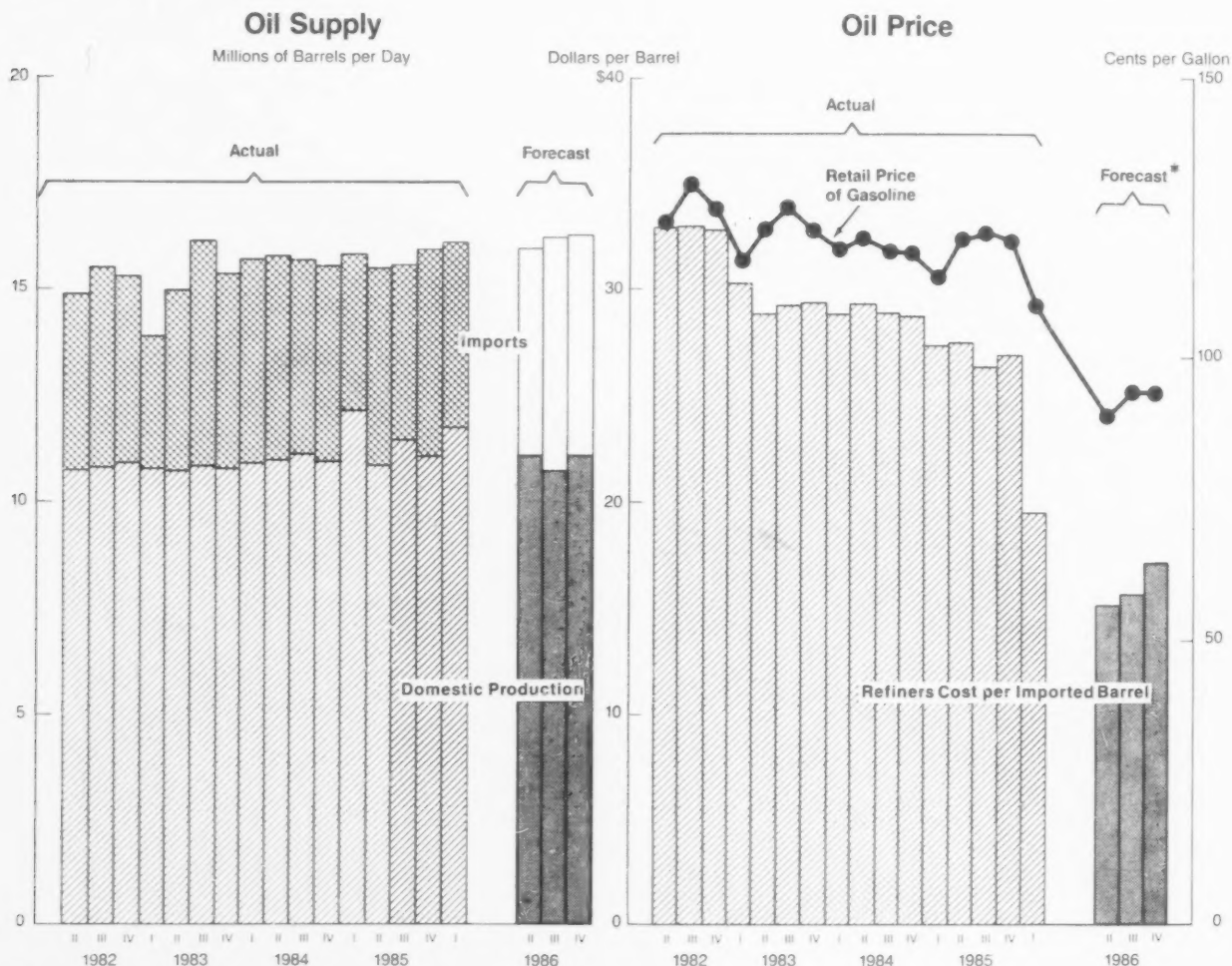
Billions of Dollars, Seasonally Adjusted

	1984	1985				1986		Percent Change From Previous Year	
	IV	I ^r	II ^r	III ^r	IV	I ^r	II ^p	1985 Actual	1986 Estimate
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	29.100	29.938	27.560	24.167	27.190	23.386	18.773	- 8	- 6
Capital expenditures	24.587	23.354	24.911	24.730	26.336	23.566	22.648	10	- 2
Change in appropriations backlog*	+ 2.302	+ 4.984	+ 0.529	-2.702	-2.594	-2.368	-5.845		
Durable Goods									
New appropriations	15.072	16.737	10.910	12.031	12.005	11.613	9.593	- 13	9
Capital expenditures	12.223	11.648	12.814	12.299	12.676	11.479	11.602	15	5
Change in appropriations backlog*	+ 1.797	+ 4.154	-2.515	-1.094	-3.063	-1.582	-3.434		
Nondurable Goods									
New appropriations	14.028	13.201	16.650	12.136	15.185	11.773	9.180	- 2	-20
Capital expenditures	12.364	11.706	12.097	12.431	13.650	12.087	11.046	6	- 9
Change in appropriations backlog*	+ 0.505	+ 0.830	+ 3.044	-1.608	+ 0.469	-0.786	-2.411		
ELECTRIC & GAS UTILITIES									
New appropriations	11.554	9.370 ^r	15.139 ^r	5.093 ^r	8.692 ^r	9.084	35.237	+ 3	
Capital expenditures	9.337	9.078 ^r	9.366 ^r	9.078 ^r	8.417 ^r	7.425	16.190	-2.0	
Change in appropriations backlog*	-3.147	+ 0.363 ^r	+ 4.662 ^r	-4.984 ^r	-0.261 ^r	+ 1.773	+ 14.520		

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments).

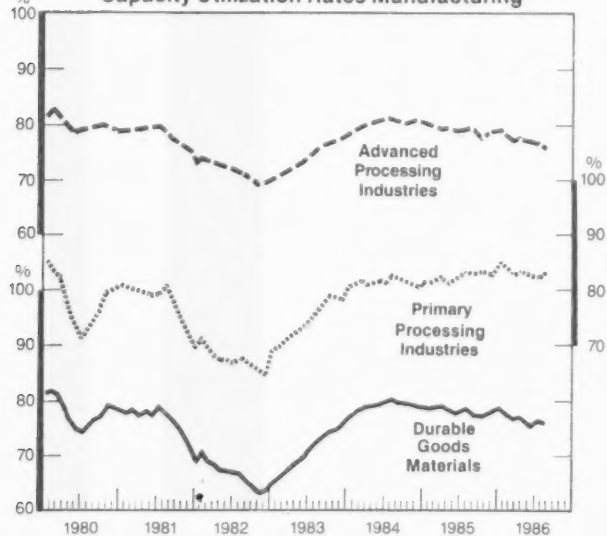


* Source of Forecast is The Energy Information Administration, Department of Energy.

Key Determinants of Profit Margin Nonfinancial Corporations



Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

		U.C.L.A. ¹		Merrill Lynch ¹		E.I. duPont ¹		Georgia State University ¹		
		Business Forecasting Project		Economics Inc.		de Nemours & Co.				
Date of Forecast		Sep., 1986		Sep., 1986		Sep., 1986		Sep., 1986		
		Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change	
Gross National Product										
Billions of Current Dollars										
Actual	1986	II	\$4175.6	2.6%	\$4175.6	2.6%	\$4175.6	2.6%	\$4175.6	2.6%
		III	4236.5	6.0	4229.6	5.3	4228.1	5.1	4223.8	4.7
		IV	4300.2	6.2	4263.6	3.3	4281.1	5.1	4296.9	7.1
	1987	I	4370.3	6.7	4307.8	4.2	4355.8	7.2	4358.9	5.9
		II	4458.2	8.3	4368.6	5.8	4439.0	7.9	4407.1	4.5
		III	4537.2	7.3	4434.1	6.1	4519.7	7.5	4459.1	4.8
		IV	4620.2	7.5	4505.7	6.6	4598.7	7.2	4525.6	6.1
	1988	I	4710.5	8.1			4678.5	7.1	4606.7	7.4
		II	4794.1	7.3			4744.0	5.7	4697.4	8.1
		III	4857.5	5.4			4811.5	5.8		
	1986	Annual	4215.4	5.4	4204.5	5.2	4208.5	5.3	4211.4	5.3
	1987	Annual	4496.5	6.7	4404.1	4.7	4478.3	6.4	4437.7	5.4
Gross National Product										
Billions of Constant (1982) Dollars										
Actual	1986	II	\$3661.4	.6%	\$3661.4	.6%	\$3661.4	.6%	\$3661.4	.6%
		III	3694.3	3.6	3678.0	1.8	3683.0	2.4	3682.4	2.3
		IV	3724.3	3.3	3688.7	1.2	3713.0	3.3	3714.2	3.5
	1987	I	3755.0	3.3	3697.8	1.0	3755.0	4.6	3732.6	2.0
		II	3804.9	5.4	3720.9	2.5	3794.0	4.2	3738.2	.6
		III	3840.1	3.8	3745.7	2.7	3827.0	3.5	3749.4	1.2
		IV	3876.2	3.8	3775.9	3.3	3858.0	3.3	3768.0	2.0
	1988	I	3907.9	3.3			3889.0	3.3	3797.8	3.2
		II	3937.1	3.0			3911.0	2.3	3831.5	3.6
		III	3945.3	.8			3931.0	2.1		
	1986	Annual	3684.0	2.8	3671.0	2.4	3678.3	2.6	3678.5	2.6
	1987	Annual	3819.1	3.7	3735.1	1.7	3808.5	3.5	3747.1	1.9
Gross National Product deflator										
Index, 1982 = 100										
Actual	1986	II	114.0	2.0%	114.0	2.0%	114.0	2.0%	114.0	2.0%
		III	114.7	2.2	115.0	3.4	114.8	2.7	114.7	2.3
		IV	115.5	2.8	115.6	2.1	115.3	1.8	115.7	3.5
	1987	I	116.4	3.2	116.5	3.2	116.0	2.4	116.8	3.8
		II	117.2	2.7	117.4	3.2	117.0	3.5	117.9	3.9
		III	118.2	3.4	118.4	3.4	118.1	3.8	118.9	3.6
		IV	119.2	3.6	119.3	3.2	119.2	3.8	120.1	4.0
	1988	I	120.5	4.6			120.3	3.7	121.3	4.0
		II	121.8	4.1			121.3	3.4	122.6	4.4
		III	123.1	4.5			122.4	3.7		
	1986	Annual	114.4	2.6	114.5	2.7	114.4	2.6	114.5	2.7
	1987	Annual	117.7	2.8	117.9	2.9	117.6	2.8	118.4	3.4
Unemployment Rate										
Actual	1986	II		7.2%		7.2%		7.2%		7.2%
		III		6.9		6.8		6.8		6.8
		IV		6.9		7.0		6.8		6.7
	1987	I		6.8		7.1		6.7		6.7
		II		6.6		7.1		6.7		6.9
		III		6.5		7.1		6.7		7.1
		IV		6.3		7.0		6.6		7.2
	1988	I		6.2				6.6		7.2
		II		6.0				6.7		7.0
		III		6.0				6.7		
	1986	Annual		7.0		7.0		7.0		6.9
	1987	Annual		6.5		7.1		6.7		7.0

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

¹Based on revised (second revision) second quarter data.

ECONOMIC FORECASTS (continued)

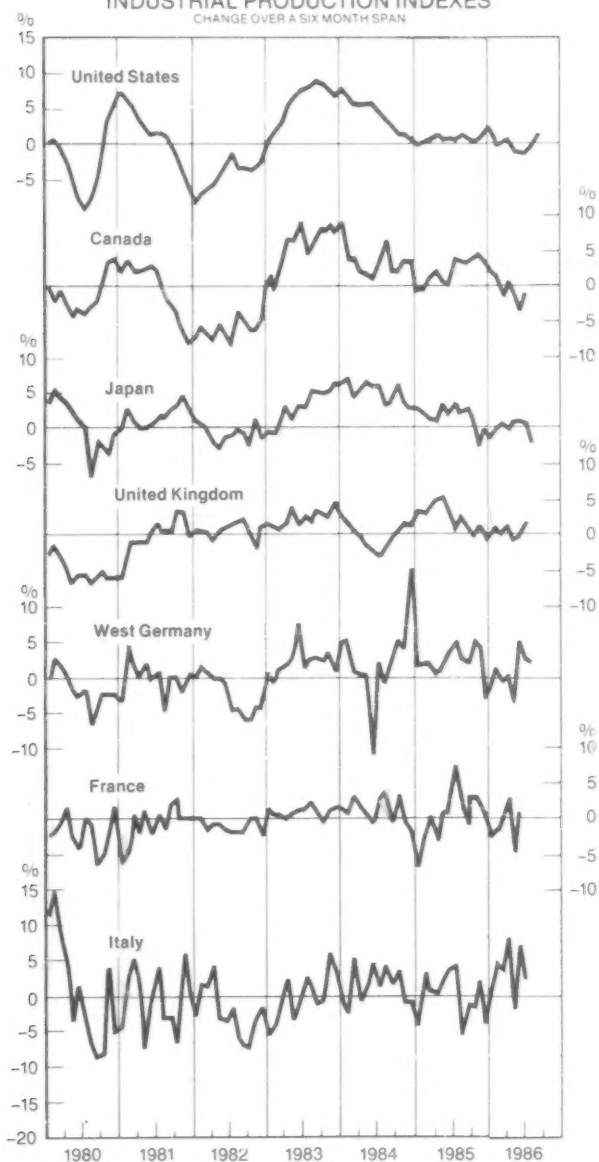
The Conference Board ¹		Chase Econometric ¹ Associates, Inc.		Data Resources Inc. ¹		Wharton E.F.A. Inc. ¹				
Sep., 1986		Sep., 1986		Sep., 1986		Sep., 1986		Date of Forecast		
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
Gross National Product Billions of Current Dollars										
\$4175.6	2.6%	\$4175.6	2.6%	\$4175.6	2.6%	\$4175.6	2.6%	II	1986	Actual
4222.0	4.5	4226.4	5.0	4231.0	5.4	4224.4	4.8	III		
4278.0	5.4	4276.9	4.9	4277.7	4.5	4289.5	6.3	IV		
4325.0	4.5	4342.8	6.3	4327.2	4.7	4366.9	7.4	I	1987	
4386.0	5.8	4405.9	5.9	4383.4	5.3	4450.2	7.9	II		
4456.0	6.5	4483.7	7.3	4450.3	6.2	4538.8	8.2	III		
4538.0	7.6	4558.2	6.8	4525.0	6.9	4622.1	7.5	IV		
		4639.0	7.3	4614.7	8.2	4699.4	6.9	I	1988	
		4715.8	6.8	4697.7	7.4	4788.0	7.8	II		
		4799.5	7.3	4766.9	6.0	4877.8	7.7	III		
4206.2	5.2	4207.0	5.2	4208.4	5.3	4209.7	5.3	Annual	1986	
4426.3	5.2	4447.7	5.7	4421.5	5.1	4494.5	6.8	Annual	1987	
Gross National Product Billions of Constant (1982) Dollars										
\$3661.4	.6%	\$3661.4	.6%	\$3661.4	.6%	\$3661.4	.6%	II	1986	Actual
3680.9	2.1	3676.9	1.7	3685.7	2.7	3683.4	2.4	III		
3697.5	1.8	3707.0	3.3	3708.6	2.5	3713.5	3.3	IV		
3708.9	1.2	3733.0	2.8	3724.9	1.8	3749.1	3.9	I	1987	
3730.0	2.3	3756.9	2.6	3750.1	2.7	3788.6	4.3	II		
3754.0	2.6	3784.8	3.0	3780.6	3.3	3823.6	3.7	III		
3784.6	3.3	3805.5	2.2	3816.7	3.9	3852.5	3.1	IV		
		3834.3	3.1	3853.3	4.1	3874.6	2.3	I	1988	
		3853.2	2.0	3888.2	3.5	3904.9	3.2	II		
		3884.0	3.2	3905.7	1.8	3932.1	2.8	III		
3673.9	2.5	3675.3	2.5	3677.9	2.6	3678.6	2.6	Annual	1986	
3744.4	1.9	3770.1	2.6	3768.1	2.5	3803.5	3.4	Annual	1987	
Gross National Product deflator Index, 1982 = 100										
114.0	2.0%	114.0	2.0%	114.0	2.0%	114.0	2.0%	II	1986	Actual
114.7	2.3	114.9	3.2	114.8	2.7	114.7	2.3	III		
115.7	3.5	115.4	1.5	115.3	1.9	115.5	2.9	IV		
116.6	3.2	116.3	3.4	116.2	2.9	116.5	3.4	I	1987	
117.6	3.4	117.3	3.3	116.9	2.5	117.5	3.4	II		
118.7	3.8	118.5	4.1	117.7	2.9	118.7	4.3	III		
119.9	4.1	119.8	4.5	118.6	2.9	120.0	4.4	IV		
		121.0	4.1	119.7	3.9	121.3	4.4	I	1988	
		122.4	4.7	120.8	3.8	122.6	4.5	II		
		123.6	3.9	122.0	4.1	124.1	4.8	III		
114.5	2.7	114.5	2.6	114.4	2.6	114.4	2.6	Annual	1986	
118.2	3.2	118.0	3.1	117.3	2.5	118.2	3.3	Annual	1987	
Unemployment Rate										
	7.2%		7.2%		7.2%		7.2%	II	1986	Actual
	6.9		7.0		6.9		6.8	III		
	7.1		6.9		6.9		6.7	IV		
	7.4		6.9		6.9		6.7	I	1987	
	7.5		6.9		6.9		6.5	II		
	7.5		6.9		6.8		6.3	III		
	7.3		6.8		6.8		6.3	IV		
			6.8		6.6		6.3	I	1988	
			6.8		6.5		6.4	II		
			6.8		6.4		6.4	III		
	7.1		7.0		7.0		7.0	Annual	1986	
	7.4		6.9		6.8		6.5	Annual	1987	

Please Note: In the interest of speeding the data contained in this publication to you, these series are available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

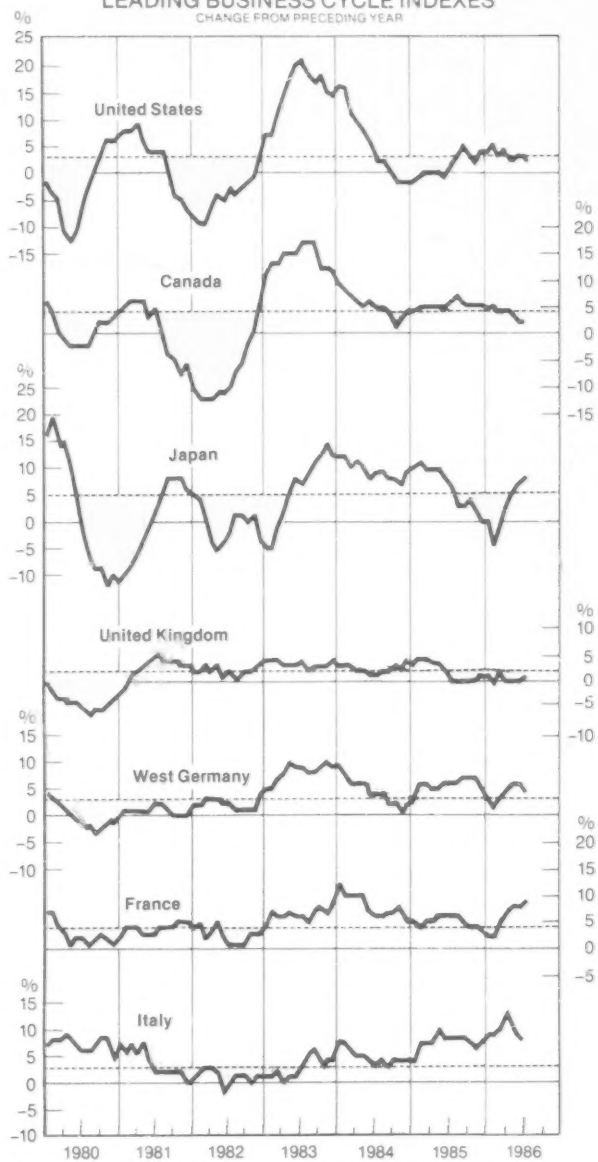
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

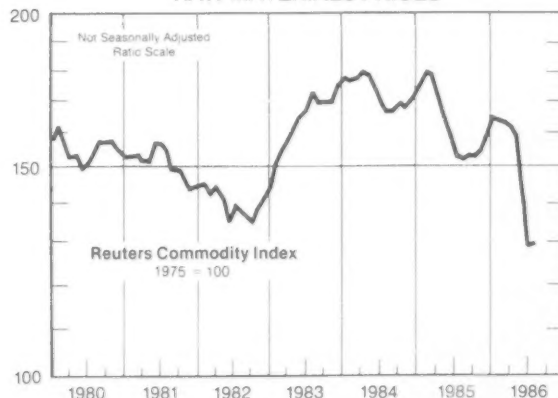


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

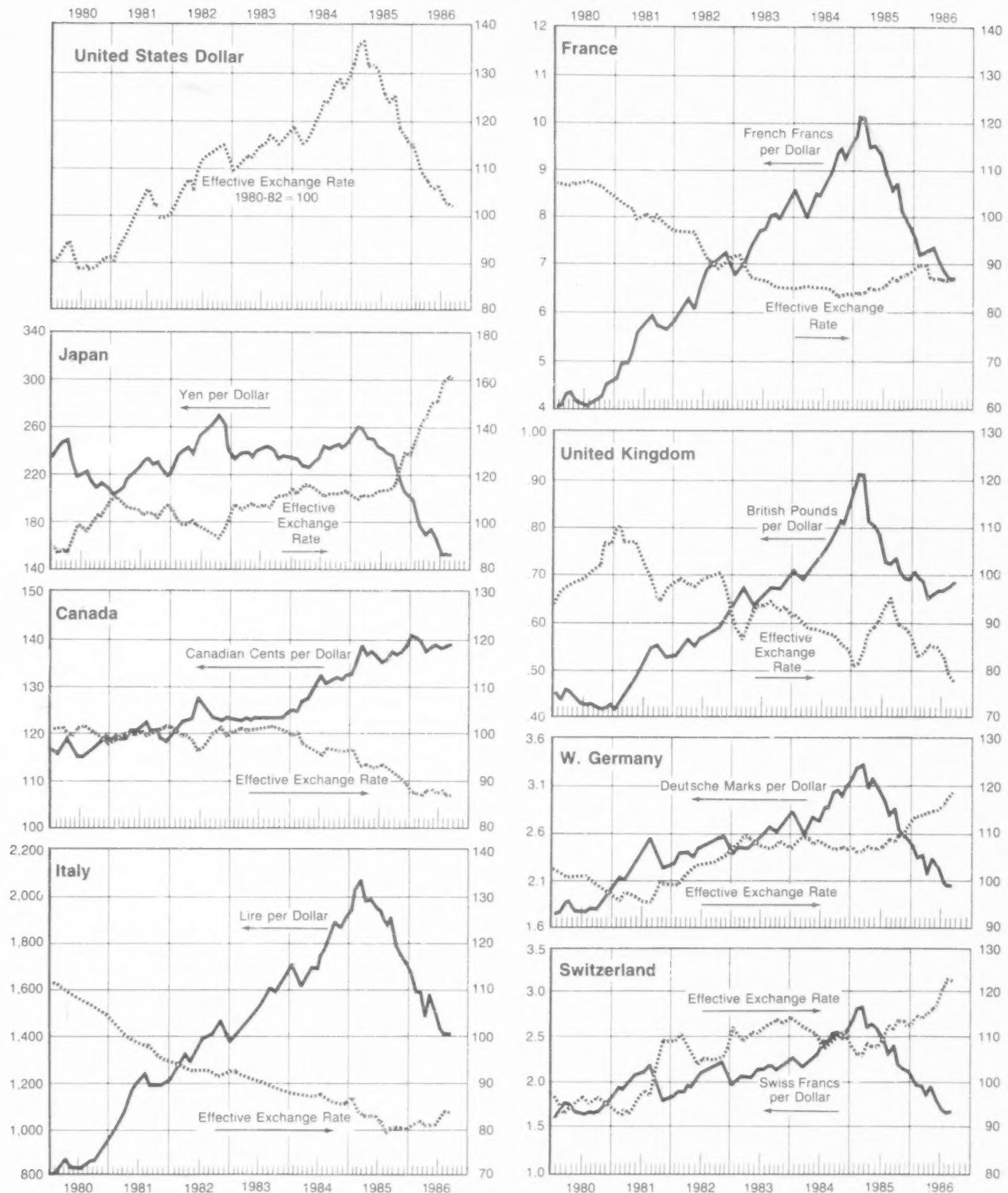


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates. Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

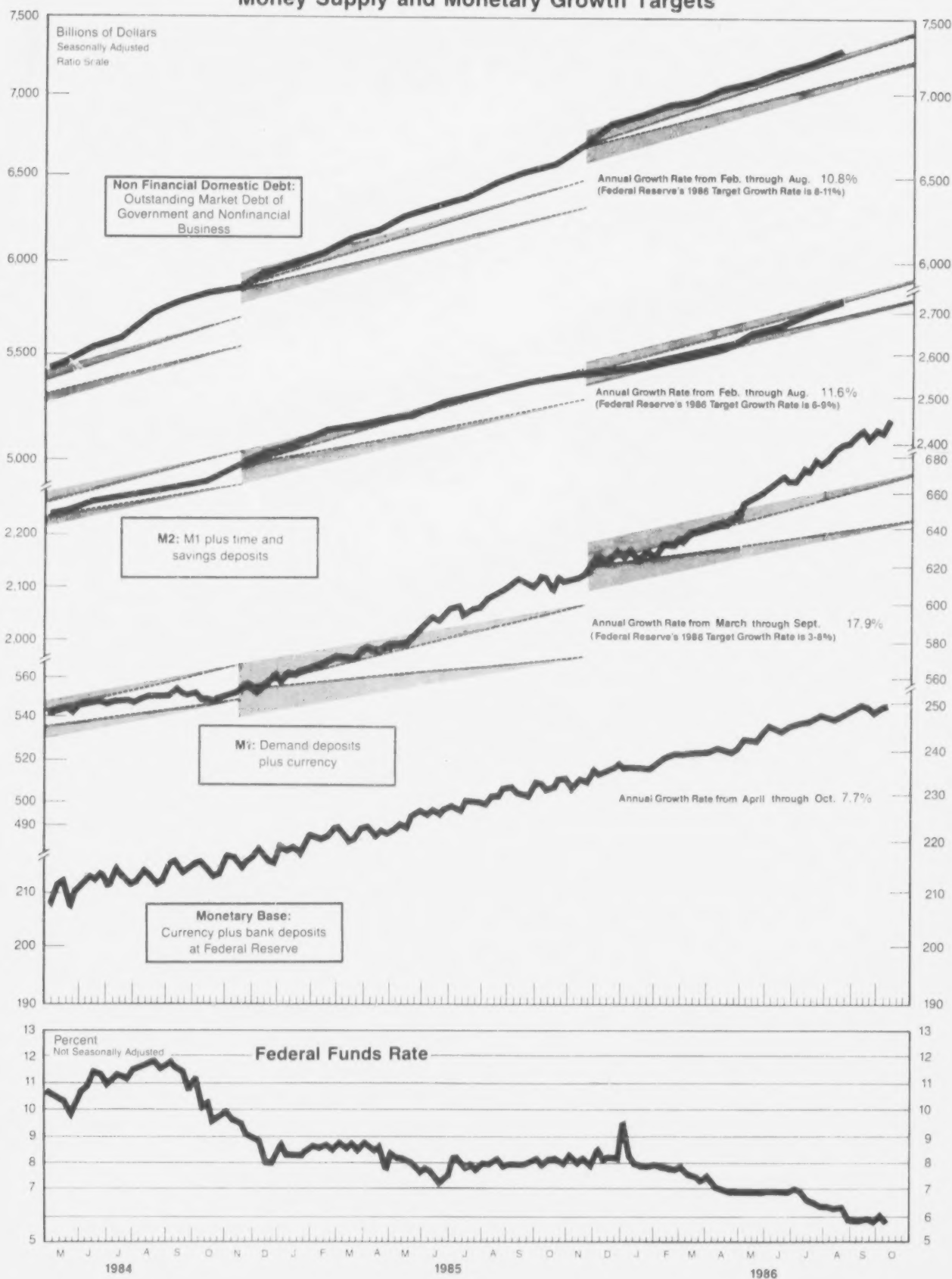
PERSPECTIVE ON THE FEDERAL BUDGET (Billions of Current Dollars)

	Fiscal 1986		Fiscal 1987		Fiscal 1988	
	Administration's Latest Estimate	Congress's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimate
	(2/5/86)	(2/26/86)	(2/5/86)	(2/26/86)	(2/5/86)	(2/26/86)
Receipts	\$ 777.1	\$ 778.7	\$ 850.4	\$ 849.9	\$ 933.2	\$ 928.1
Outlays	979.9	983.5	994.0	1,009.7	1,026.8	1,060.3
Deficit	-202.8	-204.7	-143.6	-159.7	- 93.6	-132.3
Receipts by source	\$777.1	\$778.7	\$850.4	\$849.9	\$933.2	\$928.1
Individual income	353.7	354.2	386.0	385.0	425.9	422.0
Social security	280.4	280.8	302.8	302.3	335.0	333.5
Corporate income	70.9	72.2	86.7	89.4	101.2	101.2
Other receipts	72.1	71.5	74.9	73.2	71.1	71.4
Outlays by function	\$979.9	\$983.5	\$994.0	\$1,009.7	\$1,026.8	\$1,060.3
National defense	265.8	269.5	282.2	296.7	299.1	316.6
Social security	268.8	267.9	282.4	282.2	302.1	303.1
Income security	118.1	119.6	118.4	119.5	123.1	123.7
Health	35.7	35.6	35.0	35.1	36.7	36.8
Veterans benefits	26.6	26.7	26.4	26.5	26.9	26.9
Education & manpower	30.7	30.8	27.4	27.3	26.3	26.5
Transportation	27.1	27.5	25.5	25.6	24.1	24.3
Agriculture	25.9	30.4	19.5	21.9	19.7	23.5
International affairs	17.1	17.1	18.6	16.5	18.3	17.5
Natural resources	12.9	12.8	12.0	12.0	11.8	11.9
General science	8.9	8.9	9.2	9.1	9.3	9.4
Justice	6.8	6.8	6.9	7.1	7.0	7.2
General government	6.3	6.0	6.1	6.2	5.7	6.4
Community development	7.9	7.9	6.5	6.3	5.5	5.4
Commerce, Housing credit	3.8	4.2	1.4	3.1	3.8	4.3
Energy	4.4	4.2	4.0	4.4	4.5	4.1
Revenue sharing	6.2	5.8	1.7	1.7	1.8	1.8
Interest	142.7	139.8	148.0	144.7	145.1	152.7
Allowances	0.0	0.0	0.7	0.7	2.3	2.3
Offsetting receipts	-35.2	-37.7	-38.1	-36.8	-46.4	-44.2

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP						
Current dollar	\$4,274.0	\$4,269.0	\$4,629.0	\$4,583.0	\$4,995.0	\$4,930.0
Constant (1982) dollar	3,695.0	3,688.0	3,842.0	3,803.0	3,996.0	3,928.0
Percent change in						
Current dollar	7.0%	6.9%	8.3%	7.3%	7.9%	7.6%
Constant (1982) dollar	3.4	3.2	4.0	3.1	4.0	3.3
Implicit price index	3.5	3.6	4.2	4.1	3.7	4.1
Consumer price index	3.5	3.4	4.1	4.2	3.7	4.4
91-Day T bill rate	7.3	6.8	6.5	6.7	5.6	6.4
Unemployment rate	6.7	6.7	6.5	6.7	6.3	6.5

Money Supply and Monetary Growth Targets



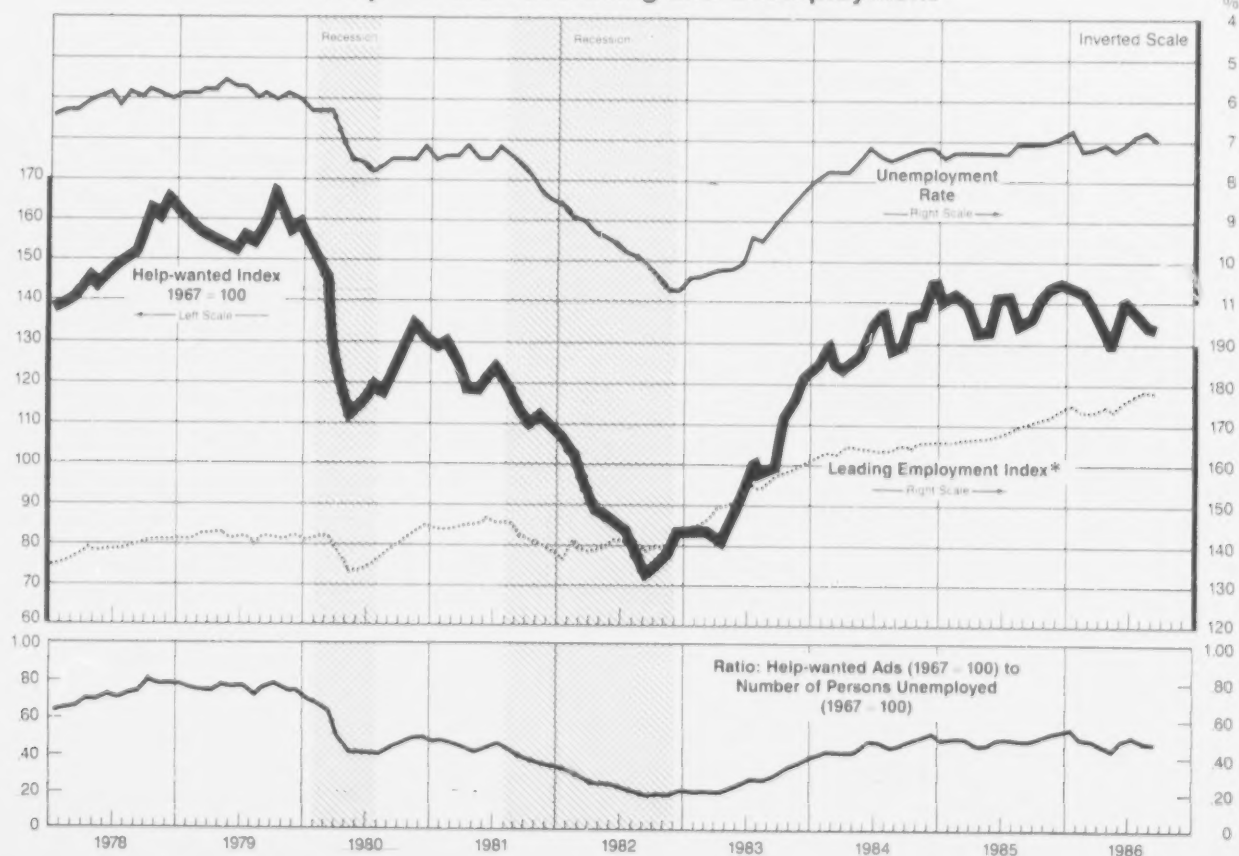
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

Locality	1986			1985			1986			1985		
	Aug.	July	June	Aug.	July	June	Aug.	July	June	Aug.	July	June
National Index	134	140	141	134								
New England	159	169	171	145								
Boston	160	172	178	153								
Hartford	174	178	171	154								
Providence	142	153	148	112								
Middle Atlantic	75	81	80	68								
Albany	172	187	192	159								
Allentown	260	279	249	198								
New York	57	62	62	54								
Philadelphia	67	74	72	59								
Pittsburgh	80	86	83	67								
Rochester	81	84	86	86								
Syracuse	N.A.	N.A.	N.A.	119								
East North Central	92	94	96	86								
Chicago	100	103	101	98								
Cincinnati	150	148	153	129								
Cleveland	62	66	67	57								
Columbus	154	157	163	128								
Dayton	82	87	97	75								
Detroit	60	61	65	60								
Gary	119	124	140	116								
Indianapolis	93	105	109	84								
Milwaukee	61	65	57	53								
Toledo	119	113	122	107								
West North Central	85	95	94	84								
Kansas City	151	172	169	123								
Minneapolis	55	72	65	68								
Omaha	132	116	121	124								
St. Louis	64	65	70	65								
South Atlantic	185	194	203	174r								
Atlanta	245	274	289	262								
Baltimore	225	233	249	204r								
Charlotte	158	161	159	131								
Jacksonville	218	228	221	213								
Miami	87	87	87	74								
Richmond	127	143	149	116								
Washington, D.C.	180	182	192	163								
East South Central	143	163	152	139								
Birmingham	146	164	161	148								
Knoxville	216	206	203	192								
Louisville	79	92	90	84								
Memphis	130	128	137	103								
Nashville	189	260	206	203								
West South Central	154	170	175	228								
Dallas	160	186	196	301								
Houston	205	219	217	284								
New Orleans	100	107	109	98								
Oklahoma City	96	105	117	129								
San Antonio	138	159	166	209								
Tulsa	N.A.	126	130	137								
Mountain	270	278	292	307								
Denver	173	187	172	198								
Phoenix	384	383	439	438								
Salt Lake City	300	304	319	332								
Pacific	207	203	203	198								
Los Angeles	144	140	141	144								
Sacramento	394	41	378	359								
San Bernadino	238	242	228	221								
San Diego	461	461	4	422								
San Francisco	211	208		207								
Seattle	213	198	1	190								
Percentage of papers with rising volume	18	39	96	14								
Unemployment rate	6.8	6.9	7.1	7.1								

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	59.8	70.1	81.2	81.8	85.9	87.0	87.8	89.9	92.2	93.5	96.7	104.9
1984	105.0	102.0	102.9	103.8	102.0	103.7	98.5	101.6	102.4	101.7	106.1	98.7
1985	103.0	104.0	98.0	101.0	96.6	100.0	101.2	99.6	98.9	99.3	98.7	99.8
1986	97.8	96.9	96.9	99.0	97.2	97.2	95.5	90.6r	92.9p			

Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	71.7	71.1	77.5	85.6	84.7	89.0	94.4	85.0	101.6	102.2	99.2	99.3
1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	105.6	103.9	101.9	135.3	108.9	114.4	103.7	109.7r	103.8p			

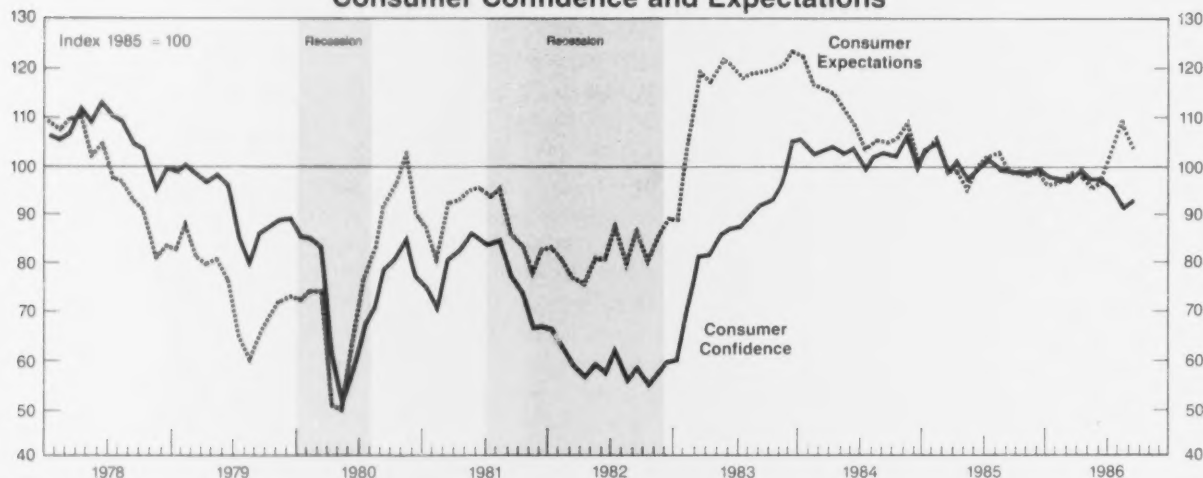
Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary

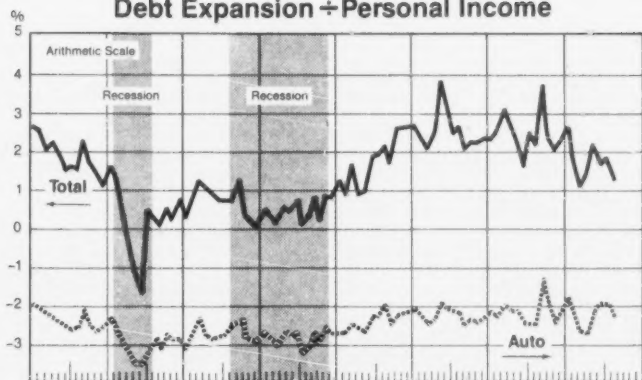
r—revised

Consumer Confidence and Expectations

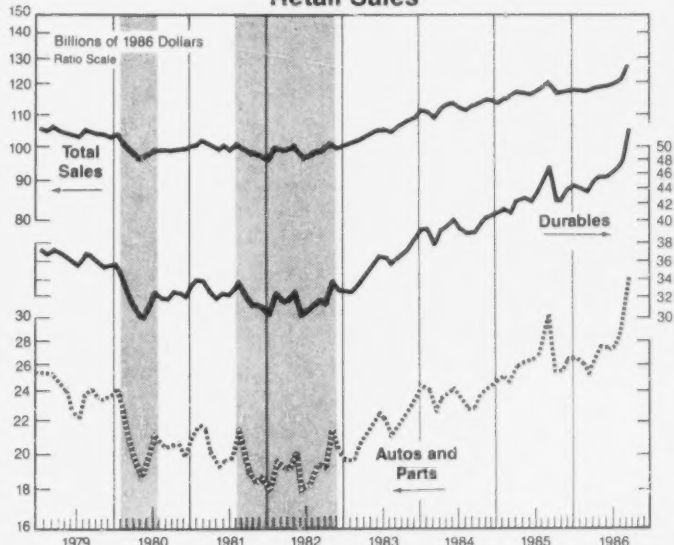


ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes. For more information, contact Linette Waters at (212) 759-0900.

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



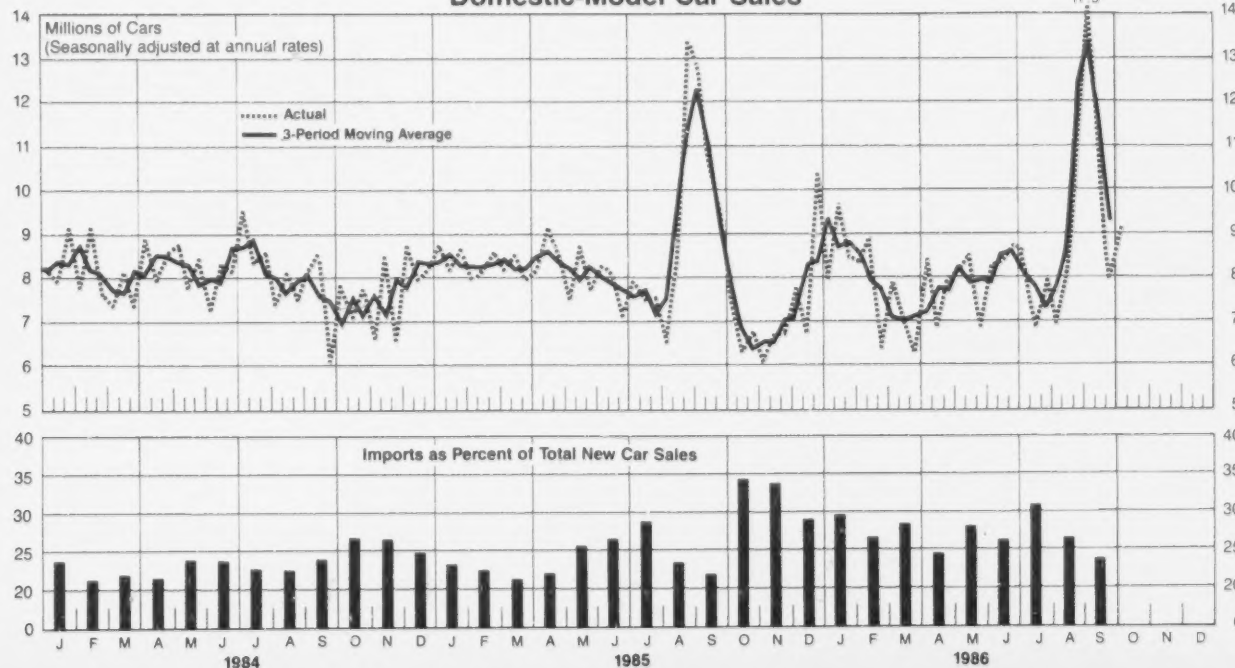
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods	1983	1984	1985	1986
January:				
1-10	6.17	8.16	8.69	7.97
11-20	6.20	7.84	8.15	9.63
21-31	5.60	9.15	8.62	8.40
February:				
1-10	5.86	7.79	7.97	8.32
11-20	5.30	9.17	8.04	8.93
21-28(29)	6.07	7.60	8.58	6.38
March:				
1-10	5.61	7.35	8.14	7.81
11-20	6.10	8.13	8.44	6.99
21-31	6.19	7.35	7.94	6.24
April:				
1-10	6.69	8.88	8.16	8.39
11-20	6.52	7.96	9.12	6.97
21-30	6.35	8.60	8.46	7.96
May:				
1-10	6.67	8.75	7.45	8.13
11-20	6.30	7.74	8.69	8.49
21-31	6.97	8.43	7.70	6.86
June:				
1-10	7.23	7.22	8.21	8.27
11-20	7.34	8.25	8.02	8.38
21-30	7.28	8.10	7.16	8.71
July:				
1-10	7.25	9.51	7.89	8.59
11-20	7.36	8.32	7.47	6.89
21-31	7.43	8.59	7.53	7.92
August:				
1-10	7.39	7.33	6.47	6.95
11-20	6.11	8.07	8.39	8.28
21-31	6.65	7.43	13.29	11.70
September:				
1-10	6.26	8.13	12.76	17.47
11-20	7.21	8.52	10.63	10.81
21-30	6.55	6.03	9.49	7.90
October:				
1-10	7.52	7.83	7.44	9.12
11-20	7.56	7.07	6.27	
21-31	7.45	7.70	6.75	
November:				
1-10	6.96	6.60	6.04	
11-20	6.55	8.44	6.66	
21-30	7.62	6.57	6.70	
December:				
1-10	7.30	8.75	7.72	
11-20	8.09	7.96	6.74	
21-31	8.48	8.19	10.38	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



171790000001 0000 CCO
Statistical Reference Index
Acquisitions
4520 East West Highway - Suite 800
Bethesda, MD 20814

STATISTICAL BULLETIN

1/2/87

R4105-3A

Volume 19, No. 11, November, 1986

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The Conference Board
70th Anniversary



- LABOR MARKET STILL LOOKS FLAT
- CONSUMER DEMAND IS STRONG BUT COULD WEAKEN
- HOUSING MARKET HAS LOST SOME MOMENTUM
- INDUSTRIAL CONDITIONS APPEAR FLAT BUT COULD IMPROVE
- TRADE DEFICIT HAS NARROWED A BIT, BUT IS THIS A TREND OR AN ABERRATION?
- OUTLOOK • ECONOMIC GROWTH IS EXPECTED IN THE FIRST HALF OF 1987, AFTER A RELATIVELY STRONG FOURTH QUARTER

OVERVIEW: Economic growth over much of the last 2 years has been marked by an uneven pattern. That is changing, but not for the better. Job growth in services remains reasonably strong but employment is flat, at best, in manufacturing and construction. Nonwage income growth has slowed markedly. Consumer attitudes have fallen sharply but consumer spending is still rising moderately. Since the promotion period ended, car sales have slowed significantly. Home sales have also turned down.

The decline in business investment may have bottomed out for the moment but industrial conditions are not improving. One encouraging development here is the rebound in new orders. Another encouraging sign may be the recent improvement in the trade deficit, due to both a decline in imports and a rise in exports. Still the details in the trade numbers contain a hint that the improvement might be transitory.

Economic growth has been more sluggish than robust of the past 8 quarters. It is generally not expected to remain in that state for the next year or so. Real GNP has risen at an average annual rate of 2½%, seasonally adjusted, from the third quarter of 1984 to the third quarter of 1986. The consensus of the **Economic Forecasts** is that it will probably not exceed that pace over the next 4 quarters.

DOMESTIC MARKET MONITOR

There has not been much change in labor-market conditions in recent months. For example, the ratio of adult employment to adult population remained almost unchanged from June through October. And the overall unemployment rate continues to hover around 7 percent.

Job growth remains sluggish and the average workweek has been stable. The overall number of hours worked, then, continues to rise slowly. Hours worked in manufacturing were no higher in October than in June. Hours worked in other sectors were only 2.7% higher, annual rate, in October than in June.

Job growth is likely to remain modest over the next few months. The Conference Board's **Help-wanted Index**, a measure of labor demand, stood at 134 (1967 = 100) in Sep-

tember. Early returns to the October survey indicate that this index may have picked up a bit. That, however, would only bring it back to about the 141 level recorded in June. Nor do the **Economic Forecasts** anticipate much faster job growth. The consensus of the forecasts is that the unemployment rate will stay close to 7% for much of 1987.

INCOME: Wage gains remain uneven. Wages in commodity-producing industry were 0.7% higher in September than 2 months earlier—after falling by 0.4% over the prior 2 months. But wages in other sectors rose 1.5% over the same 4 months.

Nonwage income growth has slowed sharply. Rental income dipped in each of the last 3 months. Interest income continues to fall with interest-rate reduction. Dividend growth has become marginal. Overall, nonwage income was only 0.2% higher in September than 3 months earlier.

Spending: Consumers are not just buying cars. Sales of furniture and appliances were 3% higher in September than 3 months earlier. Spending on services also remain high. Retail sales of nondurables were the exception—only 0.6% higher in September.

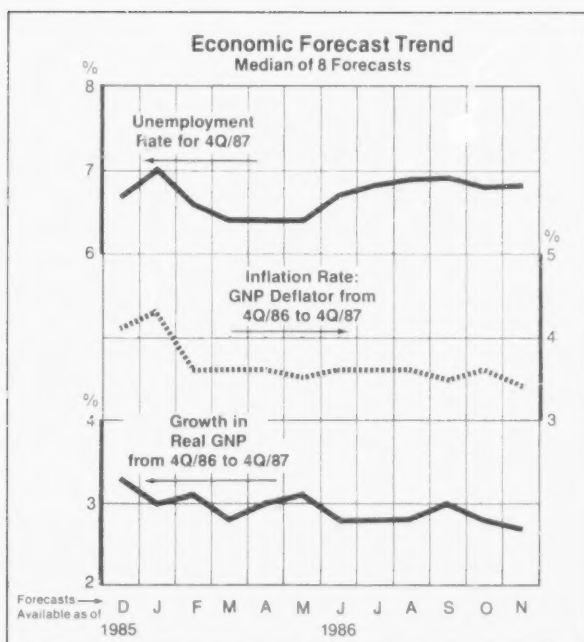
The automotive companies' promotional campaigns ended and car sales dipped. New domestic **Automobile Sales** reached a 9-million annual rate, seasonally adjusted, in August, and then jumped to 12.1 million in September. But sales dropped to 8.3 million in October. Foreign sales were close to a 3½ million rate over these 3 months.

Consumer optimism has dampened. Attitudes remained relatively bullish in the first half of this year even though job growth was quite slow. That began to change this Summer. The Conference Board's **Consumer Confidence Index** stood at 88.8 (1985 = 100) in October, compared with a reading of 95.5 in July. Principally, that reflects a substantial decline in attitudes about job and income growth over the next 6 months.

CONSTRUCTION: One area where a decline in consumer demand is apparent is housing. New single-family home sales were no higher in September than in July. Nor are builders confident that demand will pick up. Construction of both single- and multi-unit housing has fallen off sharply.

Ken Goldstein, Editor

STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.



After an extended period of decline, nonresidential construction has begun to rebound modestly. Industrial and commercial, but not office, building has picked up. Total nonresidential construction was 3.6% higher, deflated, in September than 3 months earlier. But the level remains below that reached last January.

PRODUCTION: Although industrial production rose in September for the 3rd straight month, this limited rebound may have run its course for the time being. Admittedly, output of finished goods was 1.4% higher in September than 3 months earlier. But production of semi-processed goods was only 0.5% higher and output of raw material was only 0.2% higher. Finished-goods production, then, may slow a bit. Indeed, the data on hours worked in October suggest that total production did not rise that month.

The pickup in production has been limited by a rather cautious response to the recent rise in new orders. Total durable orders were 6.2% higher in September than in May—after declining 5.1% from January through May. Shipments of filled orders, however, only rose 2.4% over the last 4 months. Perhaps the fact that the mid-year rise only recovers the ground lost earlier this year limits planners' willingness to revamp production schedules.

INVENTORY: Another reason why production gains have been limited is that producers are trying to avoid a runup in inventory. Total inventory was 0.9% higher in August than 3 months earlier. Nor was all that added inventory simply unsold cars. Inventory, excluding cars at the retail level, was 0.8% higher. Indeed, some of the currently unfilled orders may be filled from stock shelves.

PRICES: Commodity prices began strengthening in May and then moved sharply higher in October. Raw industrial prices rose 6.6% that month. Those increases have not had much impact on wholesale prices. Producer prices for materials declined a bit from June through September.

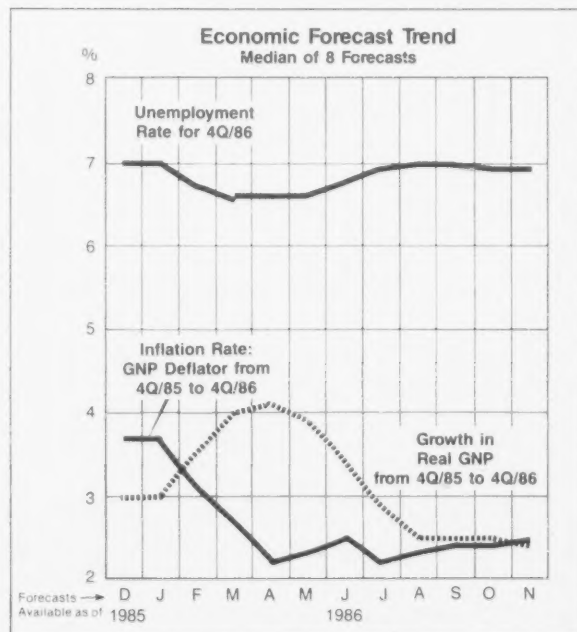
INTERNATIONAL MONITOR

After a surge of 19% from April to July, imports have fallen. Total imports were 15.9% lower in September than in July.

Most of the recent rise and fall in imports was due to a shift in the flow of manufactured goods. Total shipments of manufactured products were 18% lower in September than in July, following a 20% rise from April through July. Furthermore, this shift in the flow of goods was diffused widely through most of the broad categories.

While imports slowed, exports have expanded a bit, improving the trade balance. Exports of both agricultural and energy products increased in recent months. Shipments of manufactured products were 5.4% higher in September than 2 months earlier, but that gain was narrowly concentrated: Nonelectric machinery was 4.5% higher while electric machinery was up only 2.3 percent. Aircraft and parts were 12.5% higher—but other transport equipment was a whopping 30% higher.

Ken Goldstein
November 13, 1986

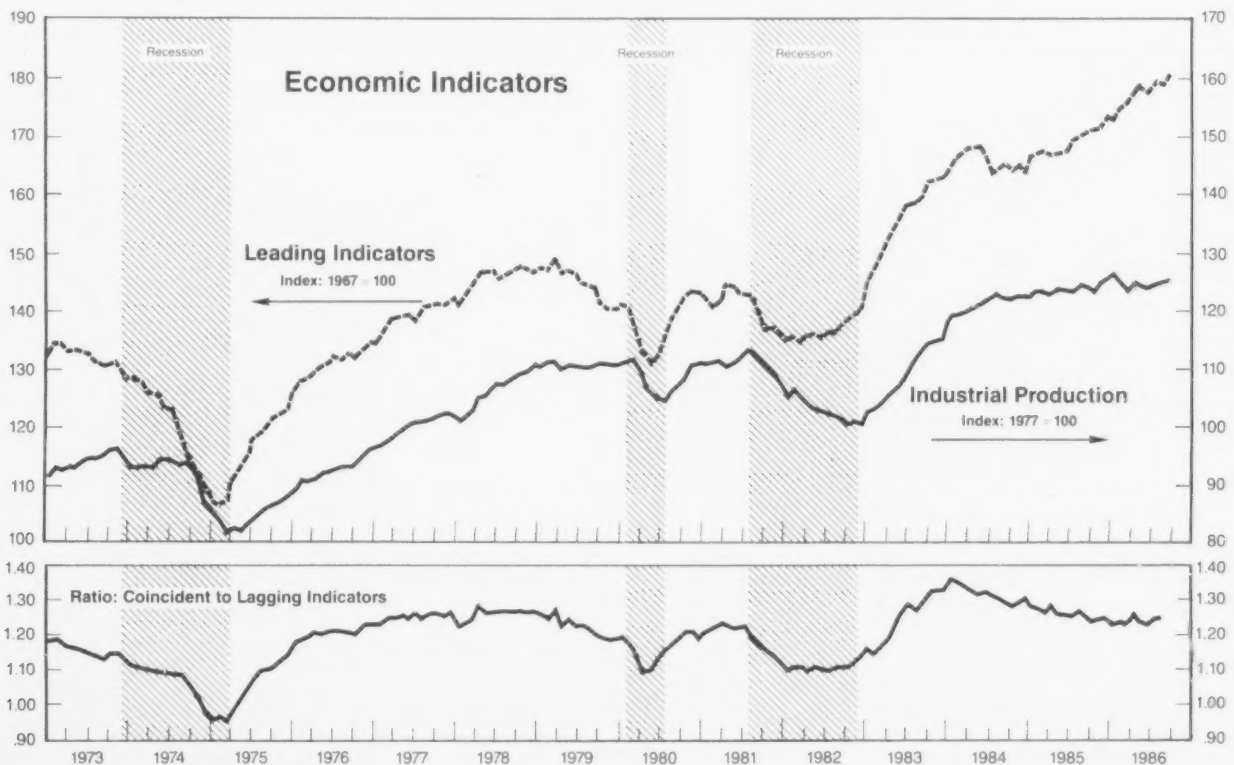


STATUS OF LEADING ECONOMIC INDICATORS

		Rising (Classification based on movement of series over several months)	Level	Declining	Change over latest three months	Change From Year-Ago
Leading Economic Indicators	Sep.	X			1.4%	5.6%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Sep.	X			4.9%	- 3.0%
New orders, nondefense capital goods (deflated)	Sep.	X			5.5%	- 0.8%
*New business formation	Sep.		X		1.5%	3.3%
*Housing permits	Sep.			X	- 10.6%	- 13.2%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Sep.	X			2.8%	3.3%
*Change in inventory, on hand & order (deflated)	Aug.			X	- 17.8%	- 2.0%
Purchasing agents' buying policy	Oct.	X			3.0%	7.0%
*Vendor performance, reported slower deliveries	Oct.		X		0.0%	8.0%
Industrial raw materials prices	Oct.		X		3.2%	- 0.9%
*Change in sensitive material prices	Sep.			X	- 0.8%	- 0.1%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Sep.	X			2.1%	6.5%
Change in business loans	Sep.	X			51.2%	35.0%
*Change in credit outstanding	Sep.	X			4.7%	- 1.9%
Change in consumer installment debt	Sep.	X			35.8%	- 23.6%
Profitability						
Total corporate profits, after tax (deflated)	2nd Q	X			2.2%	7.3%
*Common stock prices	Oct.			X	- 1.2%	27.5%
Marginal Employment Adjustments						
*Average workweek, mfg.	Oct.		X		0hr	- 0.1hr
*Initial unemployment claims (inverted)	Oct.	X			7.3%	6.5%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



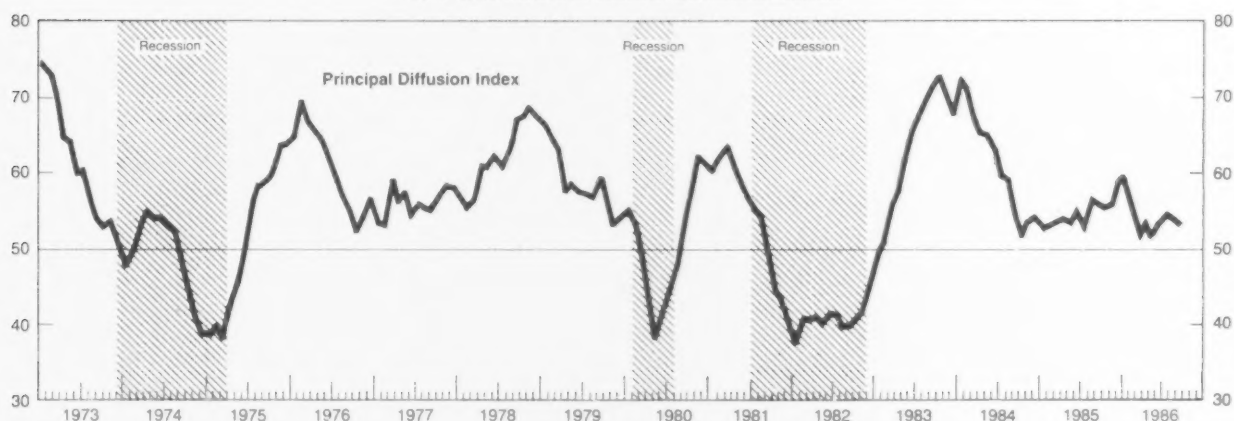
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1985	1986			
	Sept.	Jun.	Jul.	Aug.	Sept. (e)
Principal Diffusion Index	55.0	53.5	54.8r	54.1r	53.4
Auxiliary Diffusion Index	48.6	55.5	54.2r	47.9r	47.7
Industrial Group	56.1	50.7r	52.7	50.7r	52.1
Nonindustrial Group	53.9	56.3	56.9r	57.6r	54.8
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	57.9	61.5	67.5	62.4r	67.9
Labor	58.5	48.6	48.2	49.6	47.9
Miscellaneous	47.4	39.7	41.7	35.9	38.5
Nonindustrial Subgroups					
Prices	34.6	68.6	67.3	66.0	64.1
Consumer	69.7	66.2	70.9	70.5	70.1
Building	52.2	39.7	33.0	42.3	35.6
Miscellaneous	52.1	49.1	51.7r	49.1r	46.2

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1984				1985				1986		
	Feb.	May	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	Nov.
Score (scale 0-100)											
Measure of Business Confidence	70	65	61	57	61	52	51	55	61	61	50
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	76	75	70	57	62	48	45	53	63	61	44
2. Expectations for Economy, Six Months Ahead	67	60	57	57	61	53	53	56	62	62	52
3. Expectations for Own Industry, Six Months Ahead	67	61	57	58	61	55	54	56	59	60	54

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1984	1985				1986			Percent Change From Previous Year	
	IV	I ^r	II ^r	III ^r	IV	I ^r	II ^p	1985 Actual	1986 Estimate	
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	29.100	29.938	27.560	24.167	27.190	23.386	18.773	- 8	- 6	
Capital expenditures	24.587	23.354	24.911	24.730	26.336	23.566	22.648	10	- 2	
Change in appropriations backlog*	+ 2.302	+ 4.984	+ 0.529	-2.702	-2.594	-2.368	-5.845			
Durable Goods										
New appropriations	15.072	16.737	10.910	12.031	12.005	11.613	9.593	- 13	9	
Capital expenditures	12.223	11.648	12.814	12.299	12.676	11.479	11.602	15	5	
Change in appropriations backlog*	+ 1.797	+ 4.154	-2.515	-1.094	-3.063	-1.582	-3.434			
Nondurable Goods										
New appropriations	14.028	13.201	16.650	12.136	15.185	11.773	9.180	- 2	-20	
Capital expenditures	12.364	11.706	12.097	12.431	13.660	12.087	11.046	6	- 9	
Change in appropriations backlog*	+ 0.505	+ 0.830	+ 3.044	-1.608	+ 0.469	-0.786	-2.411			
ELECTRIC & GAS UTILITIES										
New appropriations	11.554	9.370 ^r	15.139 ^r	5.093 ^r	8.692 ^r	9.084	35.237	+ 3		
Capital expenditures	9.337	9.078 ^r	9.366 ^r	9.078 ^r	8.417 ^r	7.425	16.190	-2.0		
Change in appropriations backlog*	- 3.147	+ 0.363 ^r	+ 4.662 ^r	-4.984 ^r	-0.261 ^r	+ 1.773	+ 14.520			

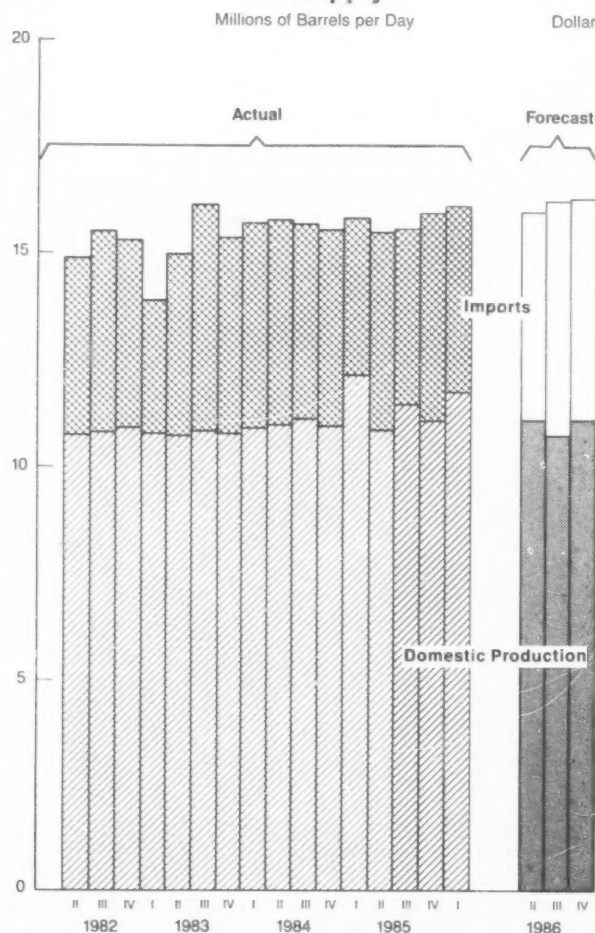
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised

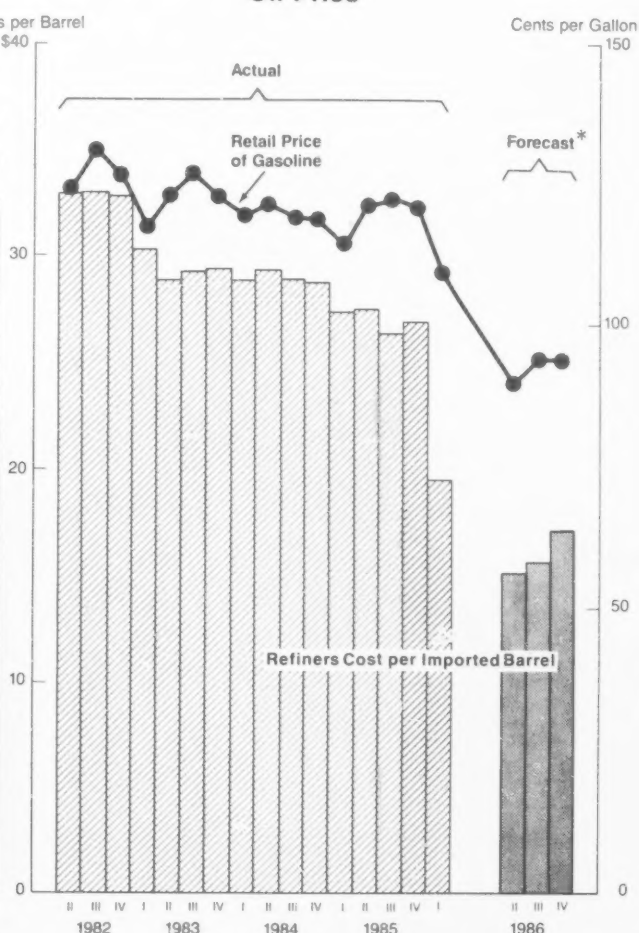
p—preliminary

* Change in Backlog = New Appropriations -- (Expenditures + Cancellations and Other Adjustments).

Oil Supply

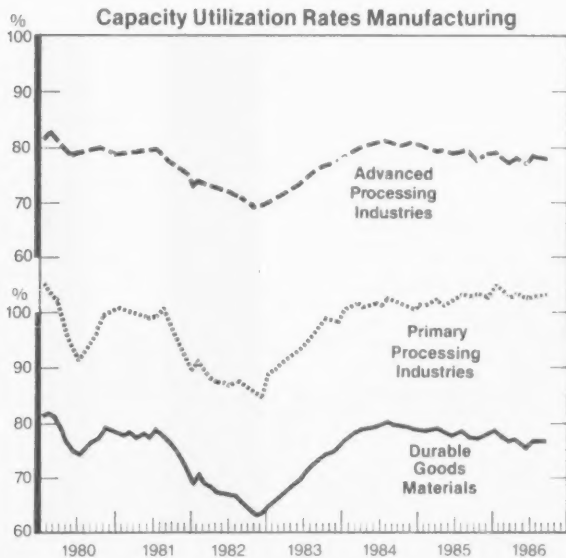
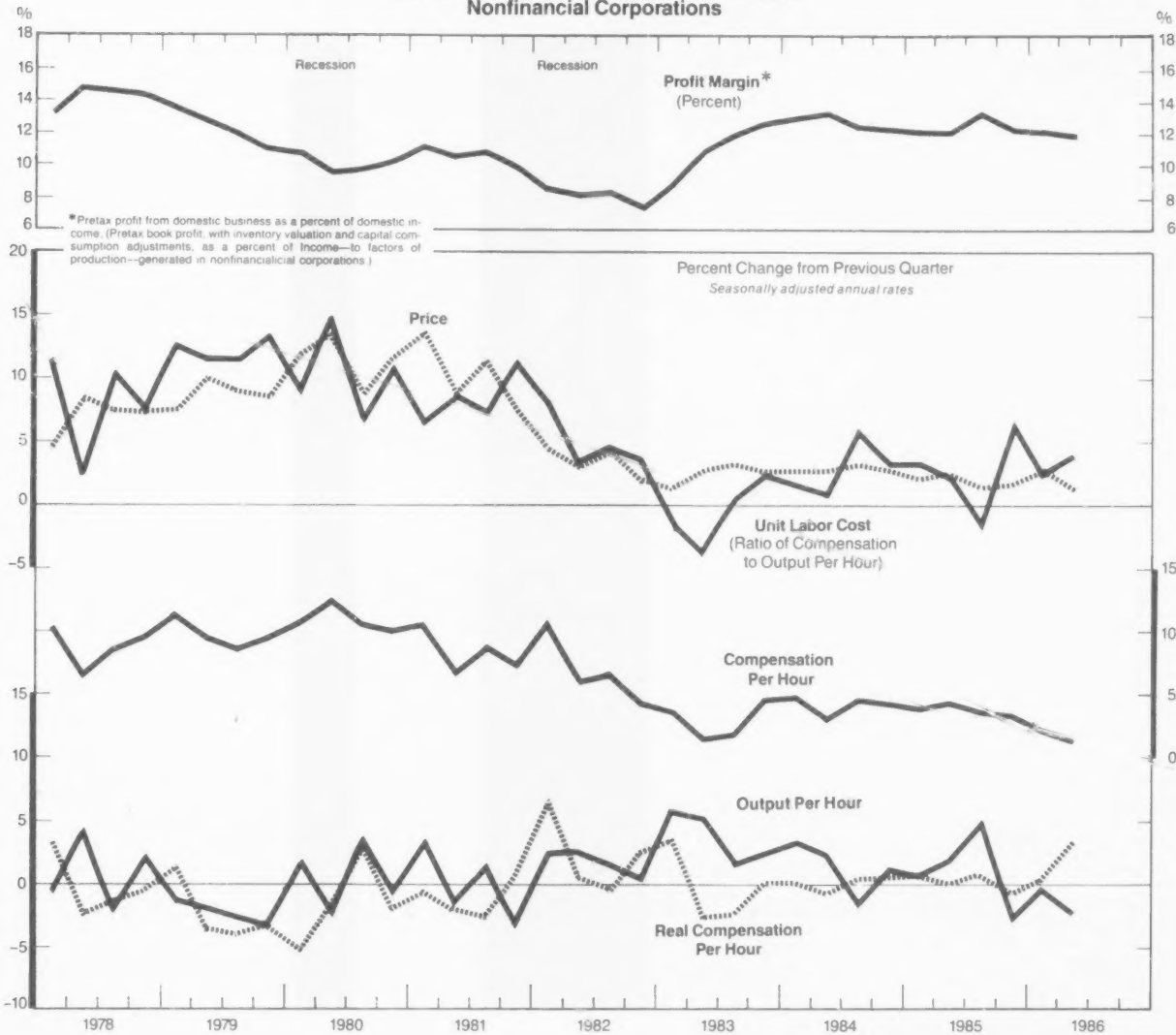


Oil Price



*Source of Forecast is The Energy Information Administration; Department of Energy.

Key Determinants of Profit Margin Nonfinancial Corporations



ECONOMIC FORECASTS

ECONOMIC FORECASTS									
		U.C.L.A. ¹ Business Forecasting Project		Merrill Lynch ¹ Economics Inc.		E.I. duPont ¹ de Nemours & Co.		Georgia State University ¹	
Date of Forecast		Oct., 1986		Oct., 1986		Oct., 1986		Oct., 1986	
		Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change
Gross National Product Billions of Current Dollars									
Actual	1986	II	\$4234.3	5.7%	\$4234.3	5.7%	\$4234.3	5.7%	\$4234.3
		III	4295.6	5.9	4267.8	3.2	4297.3	6.1	4300.3
		IV	4355.6	5.7	4316.1	4.6	4370.2	7.0	4356.3
	1987	I	4414.6	5.5	4371.9	5.3	4453.5	7.8	4407.3
		II	4485.7	6.6	4439.4	6.3	4541.5	8.1	4467.0
		III	4561.7	7.0	4512.6	6.8	4624.3	7.5	4536.8
		IV	4652.2	8.2			4698.2	6.5	4618.5
	1988	I	4736.0	7.4			4770.2	6.3	4710.4
		II	4807.1	6.1			4840.5	6.0	
		III	4883.9	6.5			4911.3	6.0	
	1986	Annual	4213.7	5.4	4206.7	5.2	4214.1	5.4	4214.9
	1987	Annual	4454.4	5.7	4410.0	4.8	4497.4	6.7	4441.9
	1988	Annual	4769.8	7.1			4805.1	6.8	
Gross National Product Billions of Constant (1982) Dollars									
Actual	1986	II	\$3683.3	2.4%	\$3683.3	2.4%	\$3683.3	2.4%	\$3683.3
		III	3722.8	4.4	3697.8	1.6	3711.0	3.0	3705.3
		IV	3749.7	2.9	3710.1	1.3	3748.0	4.0	3722.0
	1987	I	3777.2	3.0	3727.0	1.8	3787.0	4.2	3732.0
		II	3811.9	3.7	3752.2	2.7	3826.0	4.2	3744.3
		III	3849.2	4.0	3784.3	3.5	3860.0	3.6	3765.7
		IV	3889.5	4.3			3866.0	.6	3793.6
	1988	I	3923.9	3.6			3910.0	4.6	3827.3
		II	3942.9	2.0			3929.0	2.0	
		III	3970.6	2.8			3948.0	1.9	
	1986	Annual	3680.9	2.7	3674.6	2.5	3677.9	2.6	3676.5
	1987	Annual	3797.0	3.2	3743.4	1.9	3805.3	3.5	3741.0
	1988	Annual	3931.7	3.5			3913.3	2.8	
Gross National Product deflator Index, 1982 = 100									
Actual	1986	II	115.0	3.3%	115.0	3.3%	115.0	3.3%	115.0
		III	115.4	1.5	115.4	1.6	115.8	3.0	116.1
		IV	116.2	2.7	116.3	3.2	116.6	2.8	117.0
	1987	I	116.9	2.5	117.3	3.4	117.6	3.5	118.1
		II	117.7	2.8	118.3	3.5	118.7	3.8	119.3
		III	118.5	2.9	119.2	3.2	119.8	3.8	120.5
		IV	119.6	3.8			121.5	5.9	121.7
	1988	I	120.7	3.7			122.0	1.6	123.1
		II	121.9	4.1			123.2	4.0	
		III	123.0	3.6			124.4	4.0	
	1986	Annual	114.5	2.7	114.5	2.7	114.6	2.7	114.6
	1987	Annual	117.3	2.5	117.8	2.9	118.2	3.1	118.7
	1988	Annual	121.3	3.4			122.8	3.9	
Unemployment Rate									
Actual	1986	II		6.9%		6.9%		6.9%	
		III		6.9		7.0		7.0	
		IV		6.8		7.1		7.0	
	1987	I		6.7		7.2		6.9	
		II		6.6		7.2		7.0	
		III		6.5		7.1		7.0	
		IV		6.3				7.0	
	1988	I		6.2				7.0	
		II		6.1				7.2	
		III		6.0				7.3	
	1986	Annual		7.0		7.0		7.0	
	1987	Annual		6.6		7.2		7.0	
	1988	Annual		6.2				7.1	

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

¹Based on preliminary third quarter data.

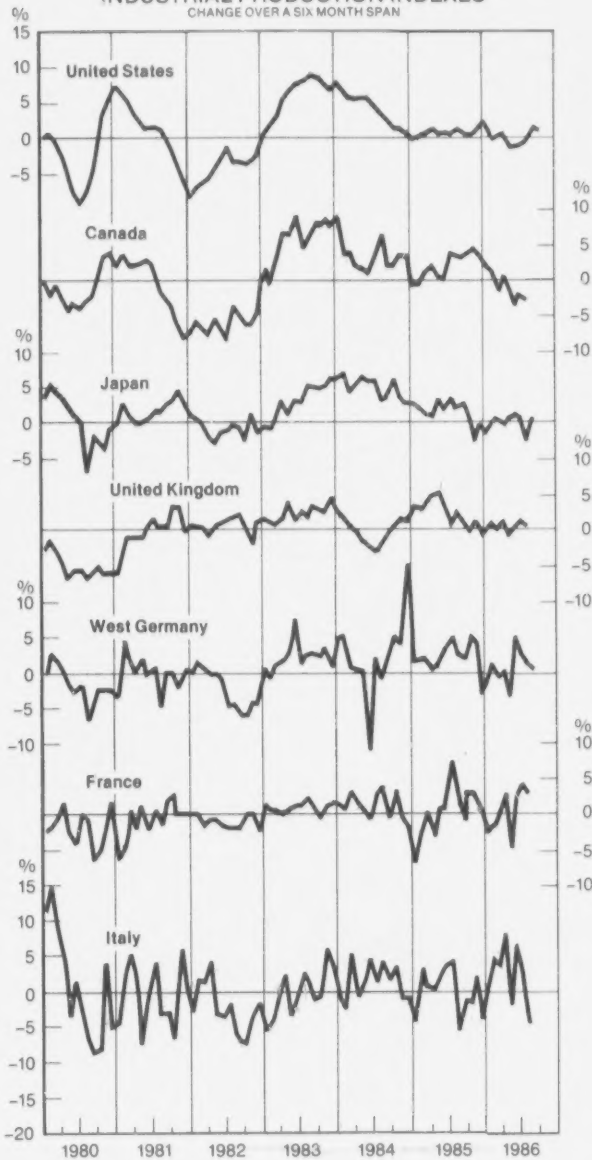
ECONOMIC FORECASTS (continued)

The Conference Board ¹		Chase Econometric ¹ Associates, Inc.		Data Resources Inc. ¹		Wharton E.F.A. Inc. ¹				
Oct., 1986		Oct., 1986		Oct., 1986		Oct., 1986		Date of Forecast		
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
Gross National Product Billions of Current Dollars										
\$4234.3	5.7%	\$4234.3	5.7%	\$4234.3	5.7%	\$4234.3	5.7%	II	1986	Actual
4293.0	5.7	4293.9	5.8	4281.4	4.5	4302.6	6.6	III		
4340.0	4.5	4352.8	5.6	4333.2	4.9	4373.4	6.7	IV		
4402.0	5.8	4406.2	5.0	4388.9	5.2	4451.8	7.4	I	1987	
4478.0	7.1	4473.2	6.2	4458.1	6.5	4528.7	7.1	II		
4560.0	7.5	4545.8	6.7	4530.0	6.6	4606.6	7.1	III		
		4619.6	6.7	4614.1	7.6	4690.7	7.5	IV		
		4696.4	6.8	4691.7	6.9	4786.3	8.4	I	1988	
		4775.5	6.9	4755.0	5.5	4885.6	8.6	II		
		4846.8	6.1	4821.2	5.7	4983.9	8.3	III		
4213.0	5.4	4213.3	5.4	4210.1	5.3	4215.4	5.4	Annual	1986	
4445.0	5.5	4444.5	5.5	4427.6	5.2	4490.1	6.5	Annual	1987	
		4734.6	6.5	4720.5	6.6	4636.6	7.7	Annual	1988	
Gross National Product Billions of Constant (1982) Dollars										
\$3683.3	2.4%	\$3683.3	2.4%	\$3683.3	2.4%	\$3683.3	2.4%	II	1986	Actual
3704.1	2.3	3717.5	3.8	3710.3	3.0	3710.5	3.0	III		
3715.6	1.2	3738.3	2.3	3730.9	2.2	3739.5	3.2	IV		
3736.3	2.3	3755.9	1.9	3755.7	2.7	3773.9	3.7	I	1987	
3763.2	2.9	3778.6	2.4	3788.8	3.6	3803.4	3.2	II		
3793.7	3.3	3805.1	2.8	3822.4	3.6	3828.0	2.6	III		
		3830.8	2.7	3857.5	3.7	3856.5	3.0	IV		
		3855.8	2.6	3887.6	3.2	3889.7	3.5	I	1988	
		3885.0	3.1	3901.3	1.4	3925.7	3.8	II		
		3908.6	2.5	3922.4	2.2	3958.0	3.3	III		
3676.2	2.5	3679.5	2.6	3677.7	2.6	3677.8	2.6	Annual	1986	
3752.3	2.1	3769.5	2.4	3774.5	2.6	3786.2	2.9	Annual	1987	
		3870.1	2.7	3892.2	3.1	3907.5	3.2	Annual	1988	
Gross National Product deflator Index, 1982 = 100										
115.0	3.3%	115.0	3.3%	115.0	3.3%	115.0	3.3%	II	1986	Actual
115.9	3.3	115.5	1.9	115.4	1.5	116.0	3.5	III		
116.8	3.2	116.4	3.3	116.1	2.6	117.0	3.5	IV		
117.8	3.5	117.3	3.0	116.9	2.5	118.0	3.5	I	1987	
119.0	4.1	118.4	3.7	117.7	2.0	119.1	3.8	II		
120.2	4.1	119.5	3.7	118.5	2.9	120.3	4.3	III		
		120.6	3.8	119.6	3.8	121.6	4.4	IV		
		121.8	4.1	120.7	3.6	123.1	4.8	I	1988	
		122.9	3.7	121.9	4.0	124.5	4.6	II		
		124.0	3.6	122.9	3.4	125.9	4.6	III		
114.6	2.8	114.5	2.7	114.5	2.7	114.6	2.8	Annual	1986	
118.4	3.4	117.9	3.0	117.3	2.5	118.6	3.5	Annual	1987	
		122.3	3.8	121.3	3.4	123.8	4.4	Annual	1988	
Unemployment Rate										
	6.9%		6.9%		6.9%		6.9%	II	1986	Actual
	7.1		6.9		6.9		6.8	III		
	7.3		6.9		6.9		6.8	IV		
	7.4		6.9		6.9		6.7	I	1987	
	7.4		6.9		6.8		6.6	II		
	7.2		6.9		6.7		6.5	III		
			6.8		6.6		6.4	IV		
			6.8		6.5		6.4	I	1988	
			6.8		6.4		6.3	II		
			6.8		6.4		6.3	III		
	7.1		7.0		7.0		7.0	Annual	1986	
	7.3		6.9		6.8		6.7	Annual	1987	
			6.8		6.5		6.4	Annual	1988	

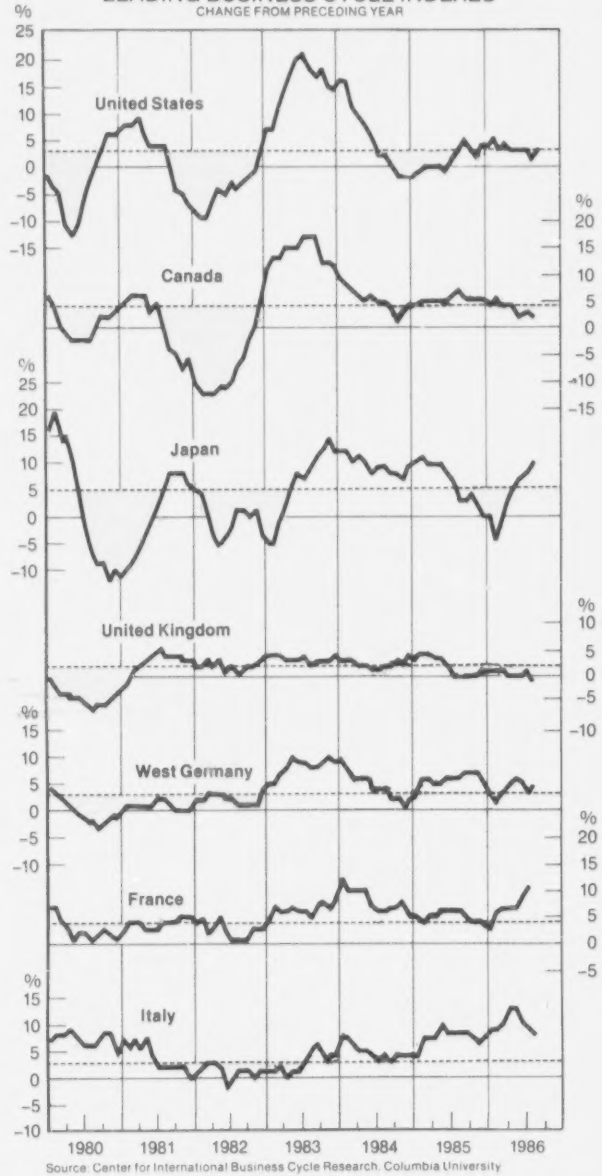
Please Note: In the interest of speeding the data contained in this publication to you, these series are available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

INDUSTRIAL PRODUCTION INDEXES
CHANGE OVER A SIX MONTH SPAN



LEADING BUSINESS CYCLE INDEXES
CHANGE FROM PRECEDING YEAR

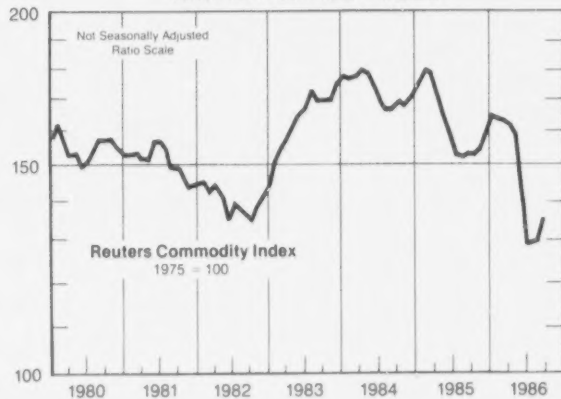


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

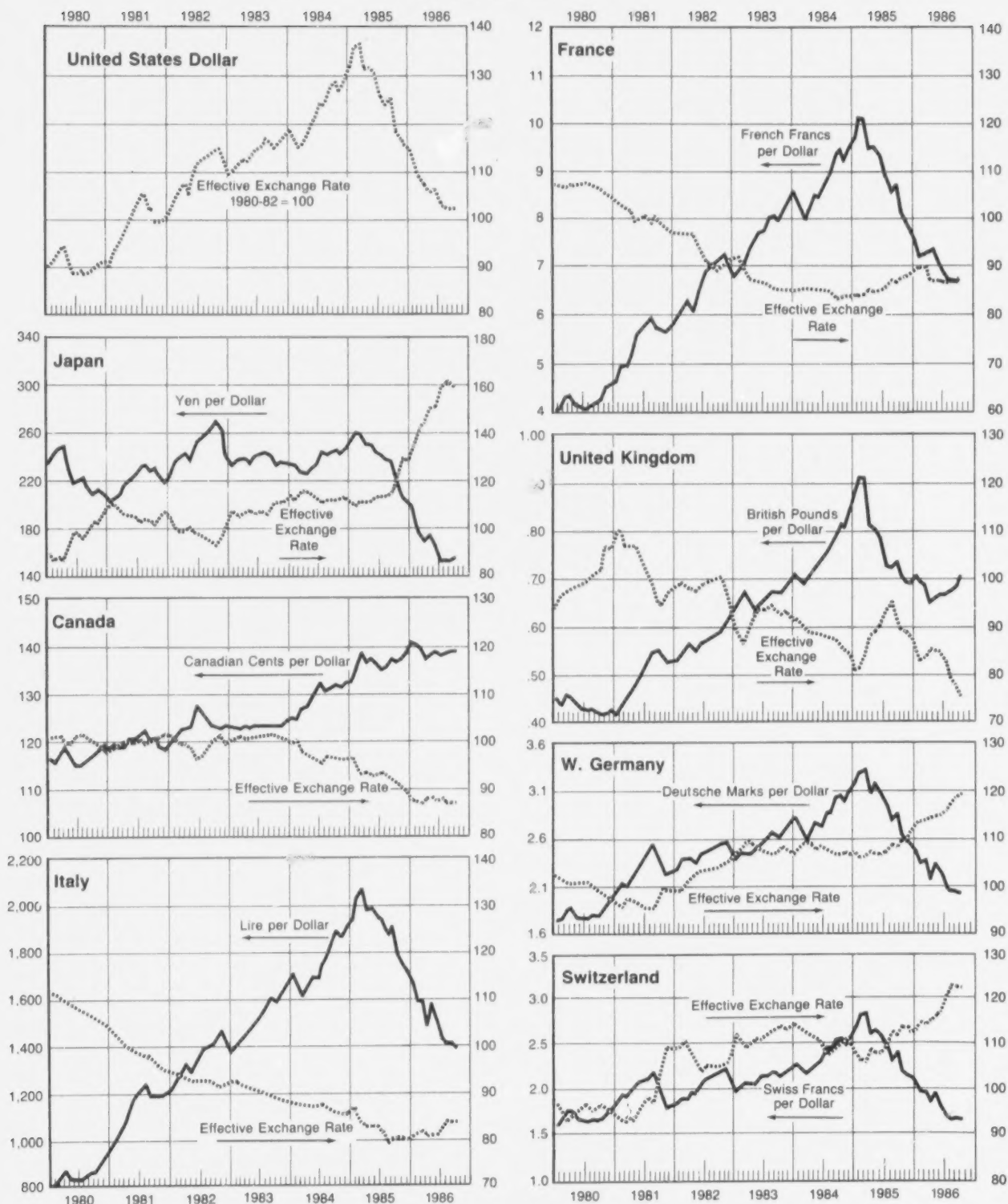


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates. Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

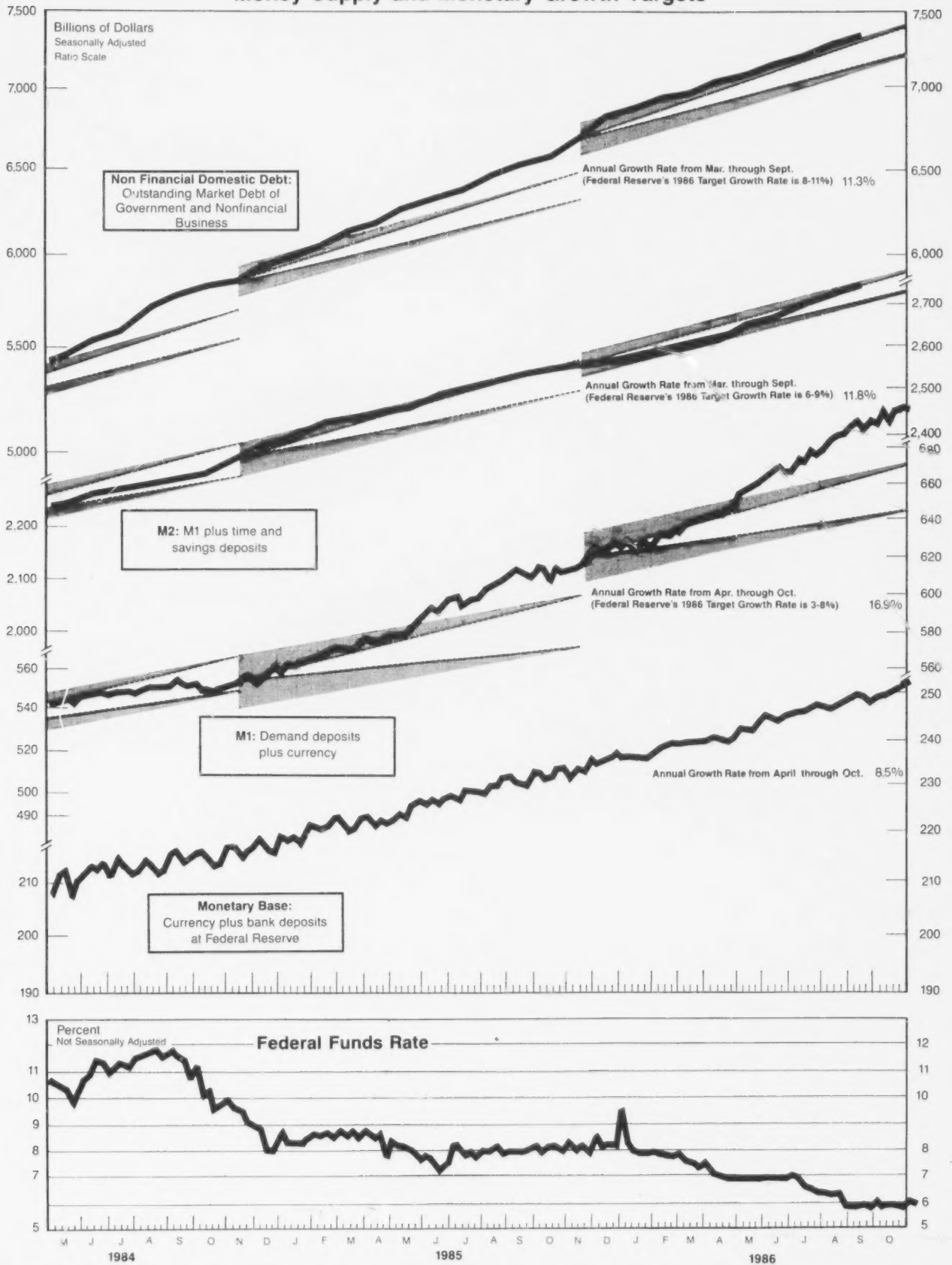
PERSPECTIVE ON THE FEDERAL BUDGET (Billions of Current Dollars)

	Fiscal 1986		Fiscal 1987		Fiscal 1988	
	Administration's Latest Estimate	Congress's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimate
	(2/5/86)	(2/26/86)	(2/5/86)	(2/26/86)	(2/5/86)	(2/26/86)
Receipts	\$ 777.1	\$ 778.7	\$ 850.4	\$ 849.9	\$ 933.2	\$ 928.1
Outlays	979.9	983.5	994.0	1,009.7	1,026.8	1,060.3
Deficit	-202.8	-204.7	-143.6	-159.7	-93.6	-132.3
Receipts by source	\$777.1	\$778.7	\$850.4	\$849.9	\$933.2	\$928.1
Individual income	353.7	354.2	386.0	385.0	425.9	422.0
Social security	280.4	280.8	302.8	302.3	335.0	333.5
Corporate income	70.9	72.2	86.7	89.4	101.2	101.2
Other receipts	72.1	71.5	74.9	73.2	71.1	71.4
Outlays by function	\$979.9	\$983.5	\$994.0	\$1,009.7	\$1,026.8	\$1,060.3
National defense	265.8	269.5	282.2	296.7	299.1	316.6
Social security	268.8	267.9	282.4	282.2	302.1	303.1
Income security	118.1	119.6	118.4	119.5	123.1	123.7
Health	35.7	35.6	35.0	35.1	36.7	36.8
Veterans benefits	26.6	26.7	26.4	26.5	26.9	26.9
Education & manpower	30.7	30.8	27.4	27.3	26.3	26.5
Transportation	27.1	27.5	25.5	25.6	24.1	24.3
Agriculture	25.9	30.4	19.5	21.9	19.7	23.5
International affairs	17.1	17.1	18.6	16.5	18.3	17.5
Natural resources	12.9	12.8	12.0	12.0	11.8	11.9
General science	8.9	8.9	9.2	9.1	9.3	9.4
Justice	6.8	6.8	6.9	7.1	7.0	7.2
General government	6.3	6.0	6.1	6.2	5.7	6.4
Community development	7.9	7.9	6.5	6.3	5.5	5.4
Commerce, Housing credit	3.8	4.2	1.4	3.1	3.8	4.3
Energy	4.4	4.2	4.0	4.4	4.5	4.1
Revenue sharing	6.2	5.8	1.7	1.7	1.8	1.8
Interest	142.7	139.8	148.0	144.7	145.1	152.7
Allowances	0.0	0.0	0.7	0.7	2.3	2.3
Offsetting receipts	-35.2	-37.7	-38.1	-36.8	-46.4	-44.2

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP						
Current Dollar	\$4,274.0	\$4,269.0	\$4,629.0	\$4,583.0	\$4,995.0	\$4,930.0
Constant (1982) Dollar	3,695.0	3,688.0	3,842.0	3,803.0	3,996.0	3,928.0
Percent change in						
Current dollar	7.0%	6.9%	8.3%	7.3%	7.9%	7.6%
Constant (1982) dollar	3.4	3.2	4.0	3.1	4.0	3.3
Implicit price index	3.5	3.6	4.2	4.1	3.7	4.1
Consumer price index	3.5	3.4	4.1	4.2	3.7	4.4
91-Day T bill rate	7.3	6.8	6.5	6.7	5.6	6.4
Unemployment rate	6.7	6.7	6.5	6.7	6.3	6.5

Money Supply and Monetary Growth Targets



Seasonally Adjusted Indexes, 1967 = 100

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	59.8	70.1	81.2	81.8	85.9	87.0	87.8	89.9	92.2	93.5	96.7	104.9
1984	105.0	102.0	102.9	103.8	102.0	103.7	98.5	101.6	102.4	101.7	106.1	98.7
1985	103.0	104.0	98.0	101.0	96.6	100.0	101.2	99.6	98.9	99.3	98.7	99.8
1986	97.8	96.9	96.9	99.0	97.2	97.2	95.5	90.6	92.8r	88.8p		

Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	71.7	71.1	77.5	85.6	84.7	89.0	94.4	85.0	101.6	102.2	99.2	99.3
1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	105.6	103.9	101.9	135.3	108.9	114.4	103.7	109.7	105.8r	96.5p		

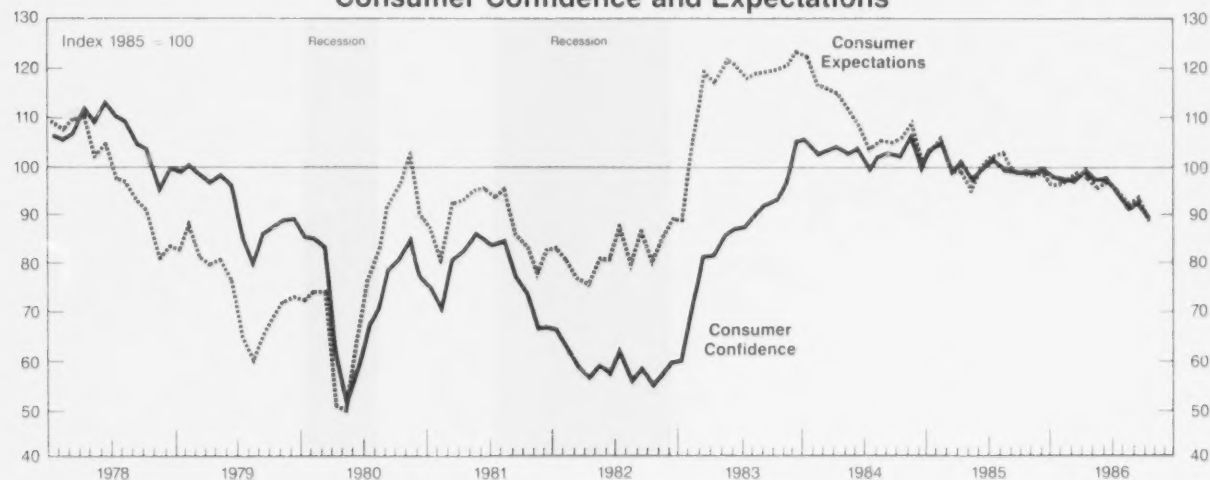
Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary

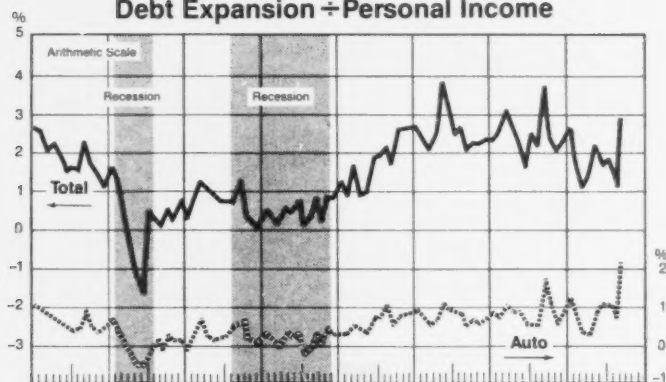
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Consumer Confidence and Expectations

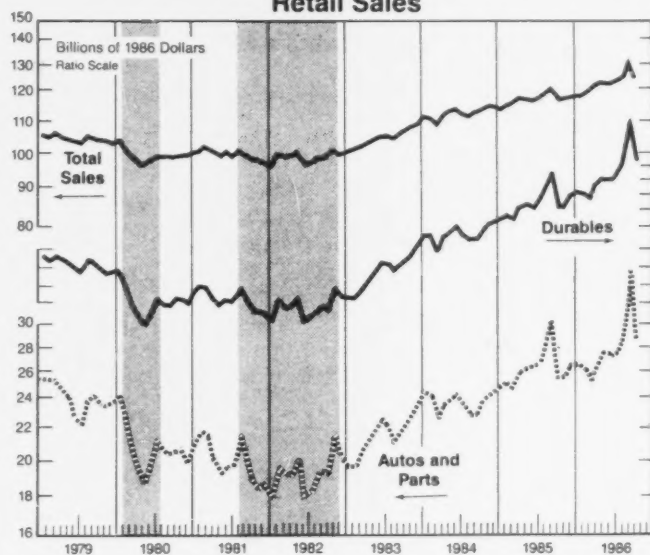


ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes. For more information, contact Linette Waters at (212) 759-0900.

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



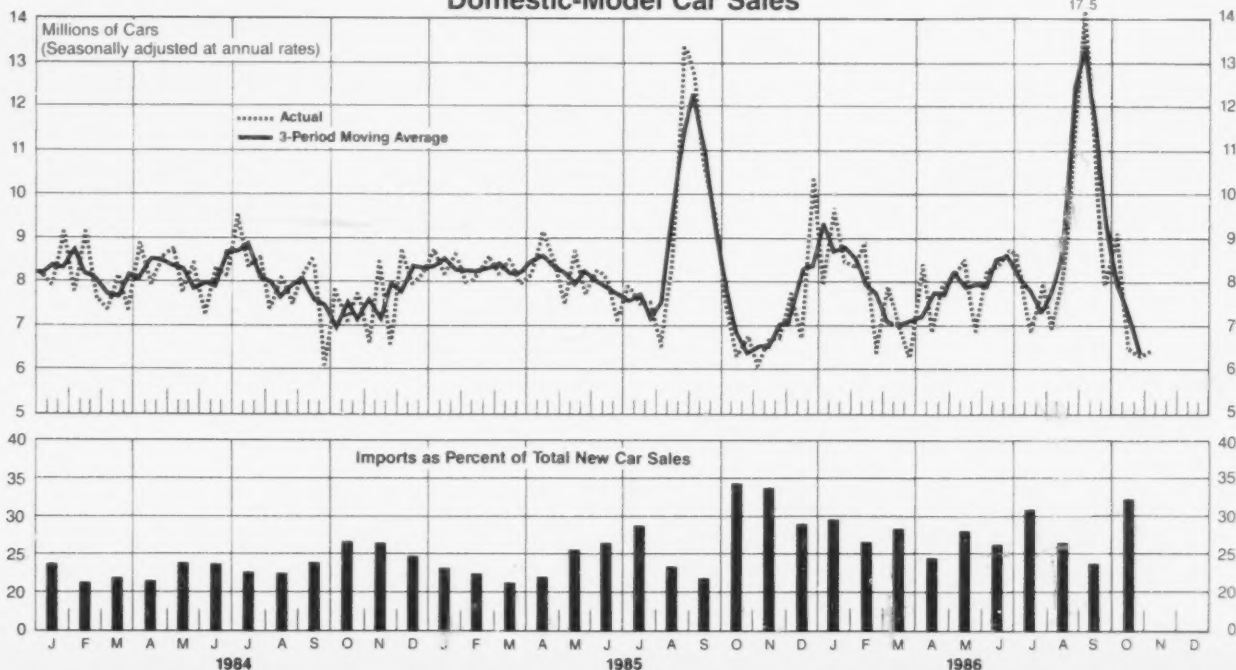
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods	1983	1984	1985	1986
January: 1-10	6.17	8.16	8.69	7.97
11-20	6.20	7.84	8.15	9.63
21-31	5.60	9.15	8.62	8.40
February: 1-10	5.86	7.79	7.97	8.32
11-20	5.30	9.17	8.04	8.93
21-28(29)	6.07	7.60	8.58	6.38
March: 1-10	5.61	7.35	8.14	7.81
11-20	6.10	8.13	8.44	6.99
21-31	6.19	7.35	7.94	6.24
April: 1-10	6.69	8.88	8.16	8.39
11-20	6.52	7.96	9.12	6.97
21-30	6.35	8.60	8.46	7.96
May: 1-10	6.67	8.75	7.45	8.13
11-20	6.30	7.74	8.69	8.49
21-31	6.97	8.43	7.70	6.86
June: 1-10	7.23	7.22	8.21	8.27
11-20	7.34	8.25	8.02	8.38
21-30	7.28	8.10	7.16	8.71
July: 1-10	7.25	9.51	7.89	8.59
11-20	7.36	8.32	7.47	6.89
21-31	7.43	8.59	7.53	7.92
August: 1-10	7.39	7.33	6.47	6.95
11-20	6.11	8.07	8.39	8.28
21-31	6.65	7.43	13.29	11.70
September: 1-10	6.26	8.13	12.76	17.47
11-20	7.21	8.52	10.63	10.81
21-30	6.55	6.03	9.49	7.90
October: 1-10	7.52	7.83	7.44	9.12
11-20	7.56	7.07	6.27	6.41
21-31	7.45	7.70	6.75	6.32
November: 1-10	6.96	6.60	6.04	6.38
11-20	6.55	8.4	6.66	
21-30	7.62	6.57	6.70	
December: 1-10	7.30	8.75	7.72	
11-20	8.09	7.96	6.74	
21-31	8.48	8.19	10.38	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



171790000001 0000 000
Statistical Reference Index
Acquisitions
4520 East West Highway - Suite 800
Bethesda, MD 20814

STATISTICAL BULLETIN

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Volume 19, No. 12, December, 1986

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The Conference Board
70th Anniversary



- LABOR MARKET ACTIVITY SLIGHTLY HIGHER
- CONSUMER INCOME GROWING A LITTLE FASTER
- INDUSTRIAL CONDITIONS IMPROVING AT THE MOMENT
- BUT HOME BUYING & BUILDING ARE WEAKENING
- AND THE TRADE DEFICIT IS NARROWING DESPITE RISING IMPORTS
- OUTLOOK • MODERATE TO SLUGGISH ECONOMIC GROWTH IN THE FIRST HALF OF 1987, AFTER A RELATIVELY STRONG FOURTH QUARTER

OVERVIEW: A year ago, the question was whether rising consumer demand could keep the economic expansion on track even though business investment was losing steam. A year later, the roles are reversed. Business investment is no longer weakening. In fact, there is some indication that it may begin to rebound. Conversely, consumer attitudes reflect a little less confidence in continued expansion of economic activity. As if to reinforce that message, consumer borrowing remains relatively subdued. Even demand for mortgages and car loans appears to have softened.

The economy is clearly in a transition at the moment, making it extremely difficult to figure out which direction it is going to take. Consumer demand may be poised for some softening, yet wage-income growth has strengthened a bit recently. Conversely, both industrial output and the trade deficit have recently narrowed—but new orders are falling, inventory is piling up and import growth remains relatively strong.

On balance, the center of this economic expansion will shift a bit, from consumption to investment, but growth in 1987 is likely to remain close to the pace of this year. The consensus of the **Economic Forecasts** is that real GNP will rise at about a 1.8% (annual rate) in the first quarter of 1987, and 2.7% in the second.

DOMESTIC MARKET MONITOR

After months of little change, the labor market improved this Autumn. Job growth remains moderate and the unemployment rate is still at 7 percent. Job gains are weak in 3 key areas—durable manufacturing, wholesale trade and construction. But hours worked are rising sharply and labor demand appears to be perking up.

In other words, employers have apparently stepped up production schedules by hiring a few more workers and increasing the average workweek. Even in durable manufacturing, hours worked were 0.1% higher in November than 3 months earlier. Hours in wholesale trade were 0.4% higher but construction hours were 0.1% lower. Total hours in private industry were 0.9% higher. That sharp rise in labor input suggests that industrial output has quickened.

Job growth may quicken as labor demand seems strengthened after a prolonged period of little change. The Conference Board's **Help-wanted Index** stood at 141 (1967=100) in October, exactly the level of last June. But early returns to the November survey suggest that job-advertising volume continued to rise.

INCOME: Wage gains aren't as sluggish anymore. Wages in commodity producing industry were 1.7% higher in October than 3 months earlier (they had declined by 0.8% over the prior 6 months.) Wages in other industries were 1.4% higher in October than 3 months earlier, roughly the pace of earlier growth.

Nonwage income has also improved just a bit. To be sure, nonwage income was only 0.1% higher in October than 3 months earlier. However, it declined 0.8% over the prior 3 months.

The net rise in consumer installment debt began to slow down last Spring. With the exception of promotion-related car loans, net consumer borrowing remained subdued through October. Even car loans have slowed since the financing promotions ended in September.

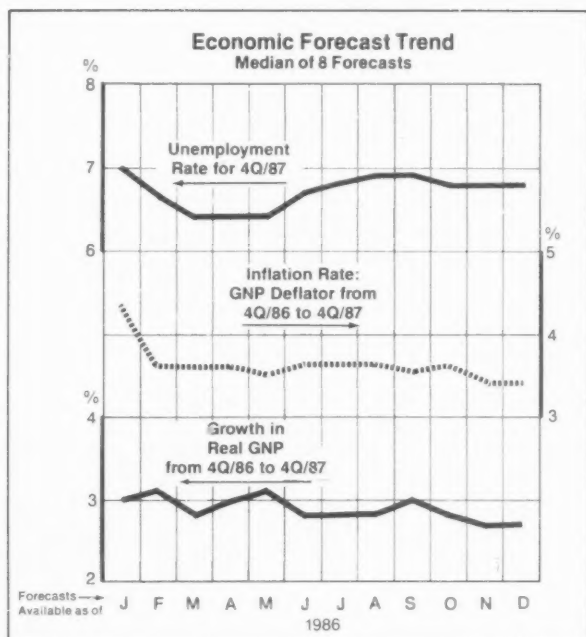
Though still relatively optimistic, consumer attitudes have dampened. The Conference Board's **Consumer Confidence Index** stood at 89.6 (1985=100) in November, compared with a reading of 95.5 in July. Consumers do not rate current economic conditions as highly as they did this past Summer; and they are a little less confident about good near-term prospects as they were only a short time ago.

Spending: A little less optimistic about the economy, and somewhat hesitant about incurring new debt, consumers are shopping carefully. Retail sales, except cars, were 2.5% higher in October than 3 months earlier. But sales of furniture and appliances were 1% lower. And new domestic Automobile Sales slumped to a 6.8 million annual rate in November, from a peak rate of 12.1 million in September. Foreign sales maintained a rather steady pace, at about 3½ million cars per month, this Summer and Fall.

CONSTRUCTION: Consumer demand for housing has cooled considerably. New, single-family home sales were 5.2% lower in October than 3 months earlier. Indeed, sales

Ken Goldstein, Editor

STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second class postage paid at New York, N.Y.



have been moving lower since the peak month of March, despite falling mortgage rates. Moreover, the median price of a new, single-family home was not much higher in October than last March.

With home sales falling, the inventory of unsold single-unit homes was 2.9% higher in October than 3 months earlier. Single-unit starts and permits, then, have been slashed. Moreover, construction of multi-unit housing remains weaker than single-unit building.

Nonresidential construction, after an extended slump, has been rebounding. The value of new, nonresidential construction was 2.3% higher, deflated, in October than 3 months earlier. That suggests that business investment in structures may have turned a corner.

PRODUCTION: After rising for 3 months, industrial output was flat in October. Declining energy production chiefly accounts for the lack of stronger progress to date. Still, output of business equipment was 1.8% higher in October than 3 months earlier—another positive sign for investment. Moreover, the rise in hours worked in November suggests that production probably rose considerably.

The degree of idle resources may be overstated. More hours were worked, more output produced, yet capacity utilization, after remaining flat for 3 months, declined in October. If capacity use is understated, the priority for new investment might also be understated.

Improving industrial conditions may be cut short by the recent fall in new orders. Some of that drop is related to the erratic ordering rate for defense-related goods. But

nondefense orders for durable goods were 1.9% lower in October than 3 months earlier.

INVENTORY: Output gains may also be limited by a runup of inventory. Total inventory, except for cars at the retail level, was 0.3% higher in September than 3 months earlier. Still production gains were weakest in the durable goods area, especially consumer durables. Inventory gains have been centered in nondurable goods.

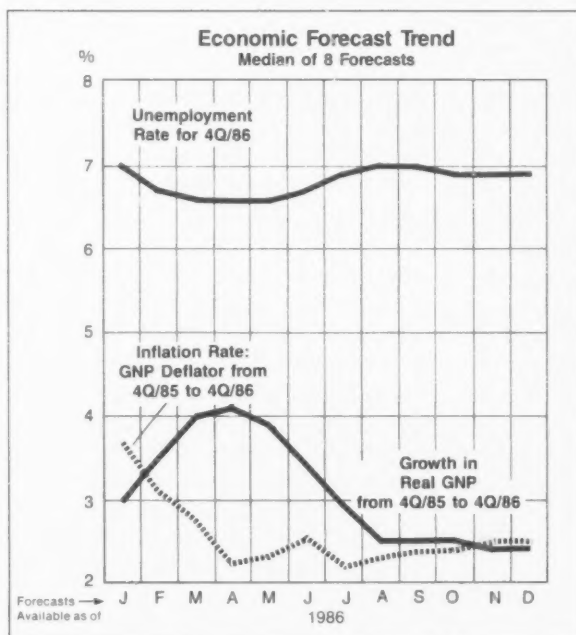
INTERNATIONAL MONITOR

Imports of manufactured goods seem to be rising. Shipments of aircraft and parts, always an erratic component, declined rather sharply in recent months. But imports of manufactured goods, except aircraft, were 6% higher in October than the average level of the past few months. Machinery, electric and nonelectric, rose significantly. So did foreign car imports, despite a rather steady buying pace. That reflects a resumption of car imports from Canada following a strike.

The rise in exports also raises some questions. Exports of aircraft, always uneven, have been rising. Moreover, exports of nonelectric machinery and transport equipment, except aircraft, have been increasing even as imports of manufactured products in the same two categories have been rising.

Rising imports and exports are occurring while the dollar remains flat. The trade-weighted **Exchange Rate** of the dollar against other major currencies was at the same level in November as in July.

Ken Goldstein

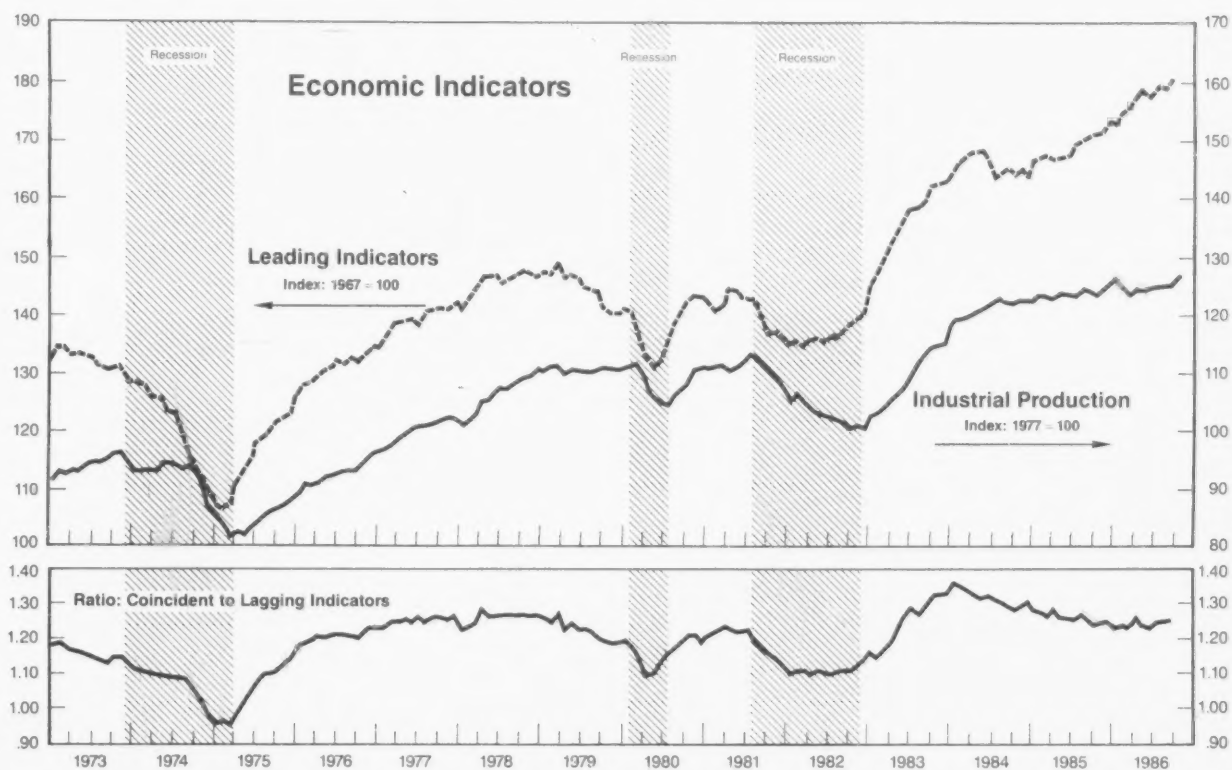


STATUS OF LEADING ECONOMIC INDICATORS

		Rising (Classification based on movement of series over several months)	Level	Declining	Change over latest three months	Change From Year-Ago
Leading Economic Indicators	Oct.	X			0.6%	5.2%
Capital Investment Commitments						
* Contracts and orders, plant & equipment (deflated)	Oct.			X	- 6.2%	- 6.0%
New orders, nondefense capital goods (deflated)	Oct.			X	- 7.5%	- 2.8%
* New business formation	Oct.			X	- 1.3%	3.3%
* Housing permits	Oct.			X	- 11.0%	- 8.1%
Inventory Investment and Purchasing						
* New orders, consumer goods & materials (deflated)	Oct.	X			2.5%	0.8%
* Change in inventory, on hand & order (deflated)	Sep.			X	- 2.2%	- 3.7%
Purchasing agents' buying policy	Nov.	X			2.0%	7.0%
* Vendor performance, reported slower deliveries	Oct.		X		0.0%	8.0%
Industrial raw materials prices	Nov.	X			15.0%	3.9%
* Change in sensitive material prices	Oct.		X		- 0.3%	0.4%
Sensitive Financial Flows						
* Money balance (M2 deflated)	Oct.	X			1.8%	7.3%
Change in business loans	Oct.	X			31.8%	- 27.2%
* Change in credit outstanding	Oct.		X		0.8%	- 7.5%
Change in consumer installment debt	Sep.	X			35.8%	- 23.6%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q	X			3.8%	6.0%
* Common stock prices	Nov.		X		0.0%	24.0%
Marginal Employment Adjustments						
* Average workweek, mfg.	Nov.	X			+ 0.1hr	0.2hr
* Initial unemployment claims (inverted)	Nov.	X			6.9%	7.1%

Note: For a description of the Leading Indicators Composite index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



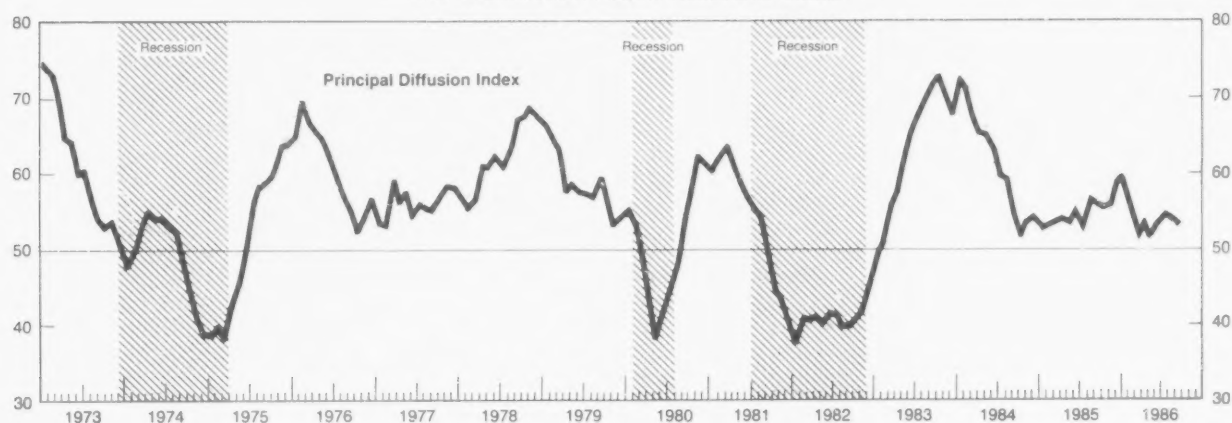
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1985	1986			
	Oct.	Jul.	Aug.	Sept.	Oct.(e)
Principal Diffusion Index	55.1	54.3r	53.7r	54.2r	52.3
Auxiliary Diffusion Index	49.4	56.9r	47.9	51.7r	44.0
Industrial Group	58.8	51.8r	49.8r	49.0r	49.6
Nonindustrial Group	51.4	56.9	57.6	59.4r	55.1
Sense of Diffusion	1	1	0	0	0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	64.3	67.5	62.4	57.7r	58.1
Labor	62.9	46.4r	47.8r	47.9	51.2
Miscellaneous	40.4	41.7	35.9	38.5	32.7
Nonindustrial Subgroups					
Prices	36.5	67.3	66.0	64.1	61.5
Consumer	63.2	70.9	70.5	75.2r	69.7
Building	51.3	33.0	42.3	43.3r	40.4
Miscellaneous	49.6	51.7	49.1	51.3r	46.2

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1984				1985				1986		
	Feb.	May	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	Nov.
Score (scale 0-100)											
Measure of Business Confidence	70	65	61	57	61	52	51	55	61	61	50
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	76	75	70	57	62	48	45	53	63	61	44
2. Expectations for Economy, Six Months Ahead	67	60	57	57	61	53	53	56	62	62	52
3. Expectations for Own Industry, Six Months Ahead	67	61	57	58	61	55	54	56	59	60	54

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1984	1985				1986			Percent Change From Previous Year	
	IV	I ^r	II ^r	III ^r	IV	I ^r	II ^p	1985 Actual	1986 Estimate	
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	29.100	29.938	27.560	24.167	27.190	23.386	18.773	- 8	- 6	
Capital expenditures	24.587	23.354	24.911	24.730	26.336	23.566	22.643	10	- 2	
Change in appropriations backlog*	+ 2.302	+ 4.984	+ 0.529	-2.702	-2.594	-2.360	-5.845			
Durable Goods										
New appropriations	15.072	16.737	10.910	12.031	12.005	11.613	9.593	- 13	9	
Capital expenditures	12.223	11.648	12.814	12.299	12.676	11.475 ^p	11.602	15	5	
Change in appropriations backlog*	+ 1.797	+ 4.154	-2.515	-1.094	-3.063	-1.582	-3.434			
Nondurable Goods										
New appropriations	14.028	13.201	16.650	12.136	15.185	11.773	9.180	- 2	-20	
Capital expenditures	12.364	11.706	12.097	12.431	13.660	12.087	11.046	6	- 9	
Change in appropriations backlog*	+ 0.505	+ 0.830	+ 3.044	-1.608	+ 0.469	-0.786	-2.411			
ELECTRIC & GAS UTILITIES										
New appropriations	11.554	9.370 ^r	15.139 ^r	5.093 ^r	8.692 ^r	9.084	35.237	+ 3		
Capital expenditures	9.337	9.078 ^r	9.366 ^r	9.078 ^r	8.417 ^r	7.425	16.190	-2.0		
Change in appropriations backlog*	- 3.147	+ 0.363 ^r	+ 4.662 ^r	-4.984 ^r	-0.261 ^r	+ 1.773	+ 14.520			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

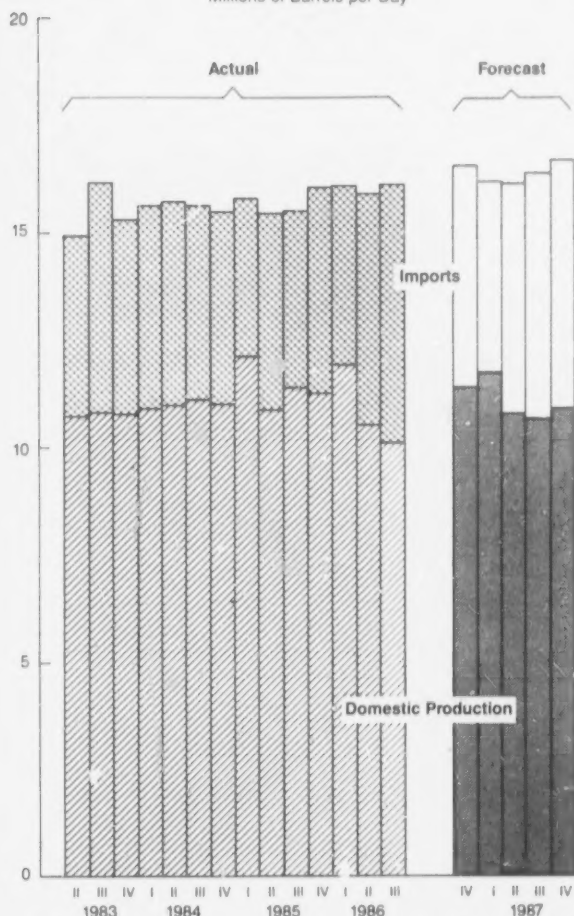
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p—preliminary

* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments).

Oil Supply

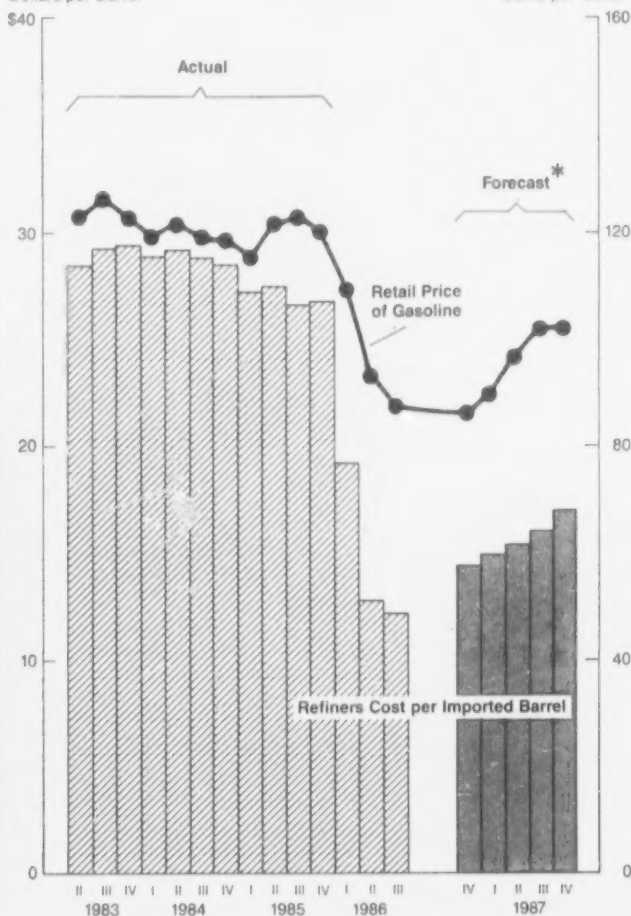
Millions of Barrels per Day



Oil Price

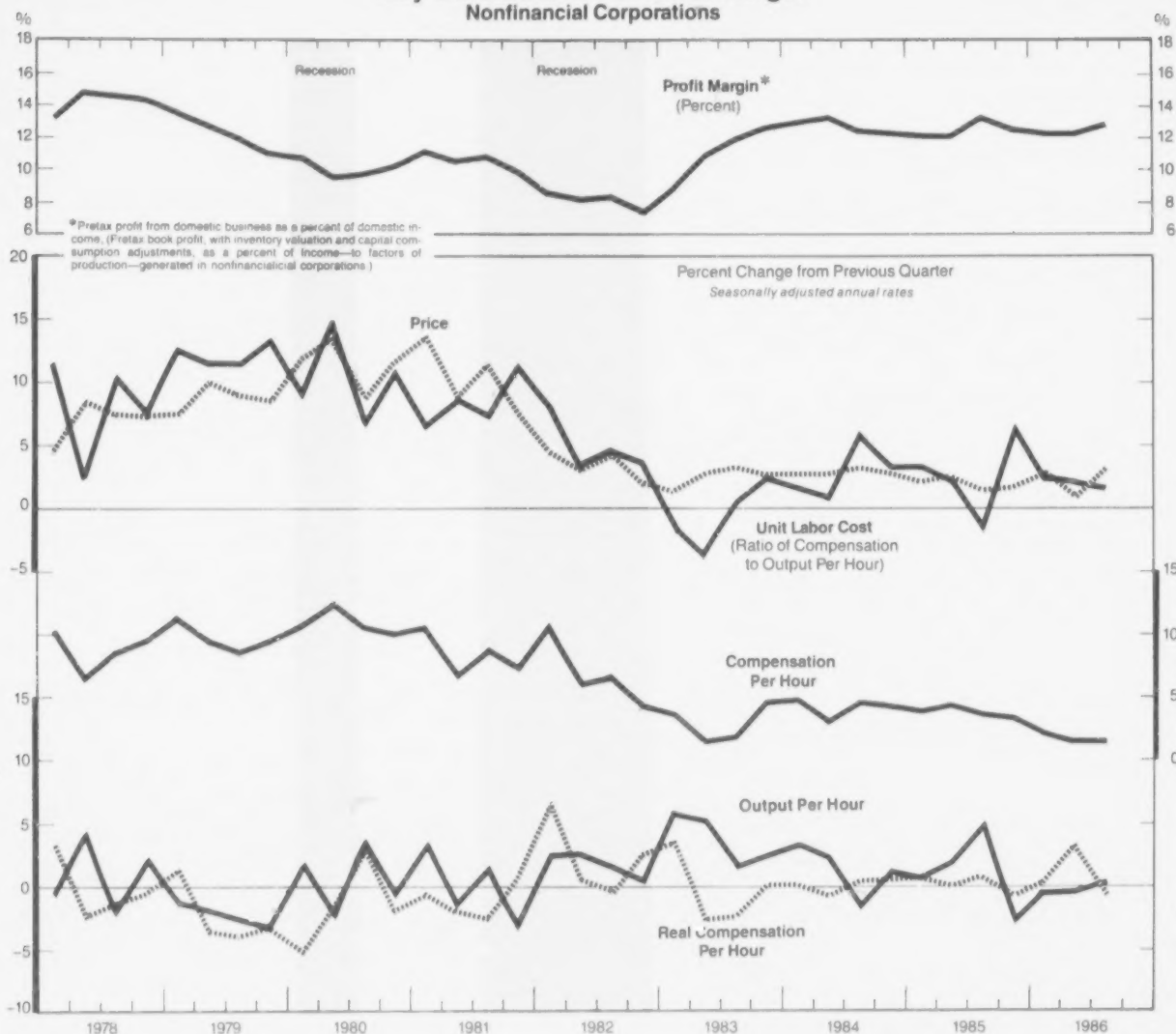
Dollars per Barrel

Cents per Gallon



* Source of Forecast is The Energy Information Administration, Department of Energy.

Key Determinants of Profit Margin Nonfinancial Corporations



ECONOMIC FORECASTS

U.C.L.A. ² Business Forecasting Project				Merrill Lynch ² Economics Inc.		E.I. duPont ² de Nemours & Co.		Georgia State University ²	
Date of Forecast		Nov., 1986		Nov., 1986		Nov., 1986		Nov., 1986	
		Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change
Gross National Product Billions of Current Dollars									
Actual	1986	III	\$4241.1	6.4%	\$4241.1	6.4%	\$4241.1	6.4%	\$4241.1
		IV	4295.0	5.2	4282.8	4.0	4297.3	5.4	4300.0
	1987	I	4353.6	5.6	4332.4	4.7	4370.2	7.0	4353.0
		II	4426.8	6.9	4389.6	5.4	4453.5	7.8	4416.3
		III	4511.3	7.9	4454.1	6.0	4541.5	8.1	4480.0
		IV	4592.9	7.4	4528.5	6.9	4624.3	7.5	4544.7
	1988	I	4686.2	8.4	4610.0	7.4	4698.2	6.5	4604.9
		II	4773.3	7.6	4690.8	7.2	4770.2	6.3	4672.5
		III	4843.9	6.0	4772.5	7.2	4840.5	6.0	
		IV	4916.6	6.1	4856.8	7.3	4911.3	6.0	
	1986	Annual	4215.2	5.4	4212.2	5.4	4215.8	5.4	4216.5
	1987	Annual	4471.2	6.1	4426.2	5.1	4497.4	6.7	4448.5
	1988	Annual	4805.0	7.5	4732.5	6.9	4805.1	6.8	
Gross National Product Billions of Constant (1982) Dollars									
Actual	1986	III	\$3687.3	2.9%	\$3687.3	2.9%	\$3687.3	2.9%	\$3687.3
		IV	3720.5	3.7	3704.5	1.9	3711.0	2.6	3702.7
	1987	I	3746.2	2.8	3716.0	1.2	3748.0	4.0	3714.0
		II	3782.1	3.9	3732.6	1.8	3787.0	4.2	3736.0
		III	3825.2	4.6	3755.9	2.5	3826.0	4.2	3756.0
		IV	3866.0	4.3	3788.1	3.5	3860.0	3.6	3772.0
	1988	I	3908.9	4.5	3815.8	3.0	3866.0	.6	3781.0
		II	3943.6	3.6	3844.6	3.1	3910.0	4.6	3800.0
		III	3960.3	1.7	3871.5	2.8	3929.0	2.0	
		IV	3983.0	2.3	3901.7	3.2	3948.0	1.9	
	1986	Annual	3681.3	2.7	3677.3	2.6	3678.9	2.6	3676.8
	1987	Annual	3804.9	3.4	3748.2	1.9	3805.3	3.4	3744.5
	1988	Annual	3949.0	3.8	3858.4	2.9	3913.3	2.8	
Gross National Product deflator Index, 1982 = 100									
Actual	1986	III	115.0	3.5%	115.0	3.5%	115.0	3.5%	115.0
		IV	115.4	1.5	115.6	2.1	115.8	2.7	116.1
	1987	I	116.2	2.7	116.6	3.4	116.6	2.8	117.2
		II	117.0	2.9	117.6	3.5	117.6	3.5	118.2
		III	117.9	3.1	118.6	3.4	118.7	3.8	119.3
		IV	118.8	3.0	119.5	3.3	119.8	3.8	120.5
	1988	I	119.9	3.7	120.8	4.3	121.5	5.9	121.8
		II	121.0	3.9	122.0	4.0	122.0	1.6	123.0
		III	122.3	4.3	123.3	4.2	123.2	4.0	
		IV	123.4	3.7	124.5	4.0	124.4	4.0	
	1986	Annual	114.5	2.7	114.5	2.7	114.6	2.8	114.7
	1987	Annual	117.5	2.6	118.1	3.1	118.2	3.1	118.8
	1988	Annual	121.7	3.5	122.6	3.9	122.8	3.9	
Unemployment Rate									
Actual	1986	III	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%
		IV	6.9	6.9	6.9	7.0	7.0	7.0	7.0
	1987	I	6.8	7.0	7.0	7.0	7.0	7.0	7.0
		II	6.7	7.1	7.1	6.9	6.9	6.8	6.8
		III	6.6	7.1	7.1	7.0	7.0	6.7	6.7
		IV	6.4	7.0	7.0	7.0	7.0	6.7	6.7
	1988	I	6.2	6.9	6.9	7.0	7.0	6.7	6.7
		II	6.0	6.9	6.9	7.1	7.1	6.8	6.8
		III	5.9	6.8	6.8	7.1	7.1		
		IV	5.9	6.7	6.7	7.1	7.1		
	1986	Annual	7.0	7.0	7.0	7.0	7.0	7.0	7.0
	1987	Annual	6.6	7.1	7.1	7.0	7.0	6.8	6.8
	1988	Annual	6.0	6.8	6.8	7.1	7.1		

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

¹Based on preliminary third quarter data.

²Based on revised (first revision) third quarter data.

ECONOMIC FORECASTS (continued)

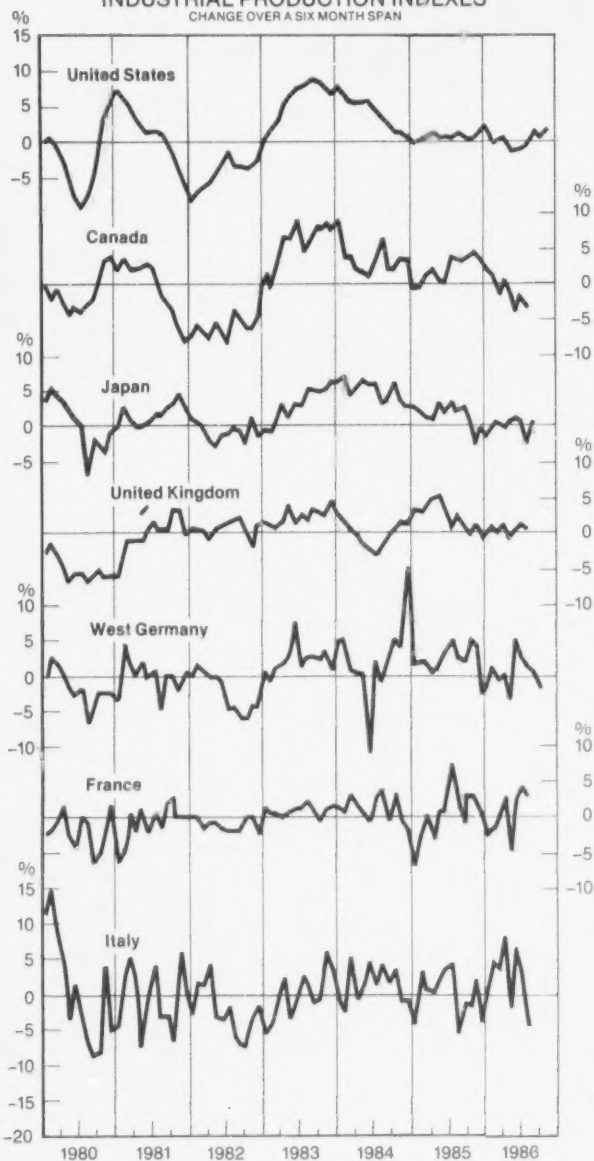
The Conference Board ¹		Chase Econometric ² Associates, Inc.		Data Resources Inc. ²		Wharton E.F.A. Inc. ²				
Oct., 1986		Nov., 1986		Nov., 1986		Nov., 1986		Date of Forecast		
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
Gross National Product Billions of Current Dollars										
\$4293.0	5.7%	\$4241.1 4282.5	6.4% 4.0	\$4241.1 4284.7	6.4% 4.2	\$4241.1 4285.3	6.4% 4.2	III IV	1986	Actual
4340.0	4.5	4333.9	4.9	4329.2	4.2	4357.5	6.9	I	1987	
4402.0	5.8	4387.2	5.0	4392.3	6.0	4434.3	7.2	II		
4478.0	7.1	4453.7	6.2	4466.9	7.0	4516.5	7.6	III		
4560.0	7.5	4522.8	6.4	4539.2	6.6	4603.9	8.0	IV		
		4591.2	6.2	4629.2	8.2	4699.4	8.6	I	1988	
		4671.1	7.1	4711.4	7.3	4795.3	8.4	II		
		4749.7	6.9	4776.2	5.6	4888.1	8.0	III		
		4827.2	6.7	4843.0	5.7	4980.7	7.8	IV		
4213.0	5.4	4212.1	5.4	4212.7	5.4	4212.8	5.4	Annual	1986	
4445.0	5.5	4424.4	5.0	4431.9	5.2	4478.1	6.3	Annual	1987	
		4709.8	6.5	4740.0	7.0	4840.9	8.1	Annual	1988	
Gross National Product Billions of Constant (1982) Dollars										
\$3704.1	2.3%	\$3687.3 3710.9	2.9% 2.6	\$3687.3 3711.3	2.9% 2.6	\$3687.3 3698.4	2.9% 1.2	III IV	1986	Actual
3715.6	1.2	3730.6	2.1	3724.9	1.5	3726.8	3.1	I	1987	
3736.8	2.3	3748.7	2.0	3752.9	3.0	3757.9	3.4	II		
3763.2	2.9	3772.8	2.6	3788.6	3.9	3792.1	3.7	III		
3793.7	3.3	3800.0	2.9	3822.9	3.7	3827.9	3.6	IV		
		3822.6	2.4	3864.9	4.5	3867.0	4.1	I	1988	
		3849.6	2.9	3897.7	3.4	3901.3	3.6	II		
		3878.5	3.0	3912.2	1.5	3930.6	3.0	III		
		3907.0	3.0	3933.1	2.2	3956.4	2.7	IV		
3676.2	2.5	3678.9	2.6	3679.0	2.6	3675.8	2.5	Annual	1986	
3752.3	2.1	3763.0	2.3	3772.3	2.5	3776.2	2.7	Annual	1987	
		3864.4	2.7	3902.0	3.4	3913.8	3.6	Annual	1988	
Gross National Product deflator Index, 1982 = 100										
		115.0	3.5%	115.0	3.5%	115.0	3.5%	III	1986	Actual
115.9	3.3%	115.4	1.3	115.5	1.5	115.9	3.0	IV		
116.8	3.2	116.2	2.7	116.2	2.7	116.9	3.7	I	1987	
117.8	3.5	117.0	3.0	117.0	2.8	118.0	3.7	II		
119.0	4.1	118.0	3.5	117.9	3.0	119.1	3.8	III		
120.2	4.1	119.0	3.3	118.7	2.9	120.3	4.0	IV		
		120.1	3.7	119.8	3.5	121.5	4.2	I	1988	
		121.3	4.2	120.9	3.7	122.9	4.7	II		
		122.5	3.8	122.1	4.1	124.4	4.8	III		
		123.6	3.6	123.1	3.5	125.9	5.0	IV		
114.6	2.8	114.5	2.7	114.5	2.7	114.6	2.8	Annual	1986	
118.4	3.4	117.6	2.7	117.5	2.6	118.6	3.5	Annual	1987	
		121.9	3.7	121.5	3.4	123.7	4.3	Annual	1988	
Unemployment Rate										
	5.9%		6.9%		6.9%		6.9%	III	1986	Actual
	7.1		6.9		6.9		7.1	IV		
	7.3		6.8		6.9		7.0	I	1987	
	7.4		6.8		6.9		7.0	II		
	7.4		6.8		6.9		6.9	III		
	7.2		6.8		6.8		6.8	IV		
			6.8		6.6		6.7	I	1988	
			6.7		6.4		6.5	II		
			6.7		6.4		6.4	III		
			6.7		6.3		6.4	IV		
	7.1		7.0		7.0		7.1	Annual	1986	
	7.3		6.8		6.9		6.9	Annual	1987	
			6.7		6.4		6.5	Annual	1988	

Please Note: In the interest of speeding the data contained in this publication to you, these series are available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

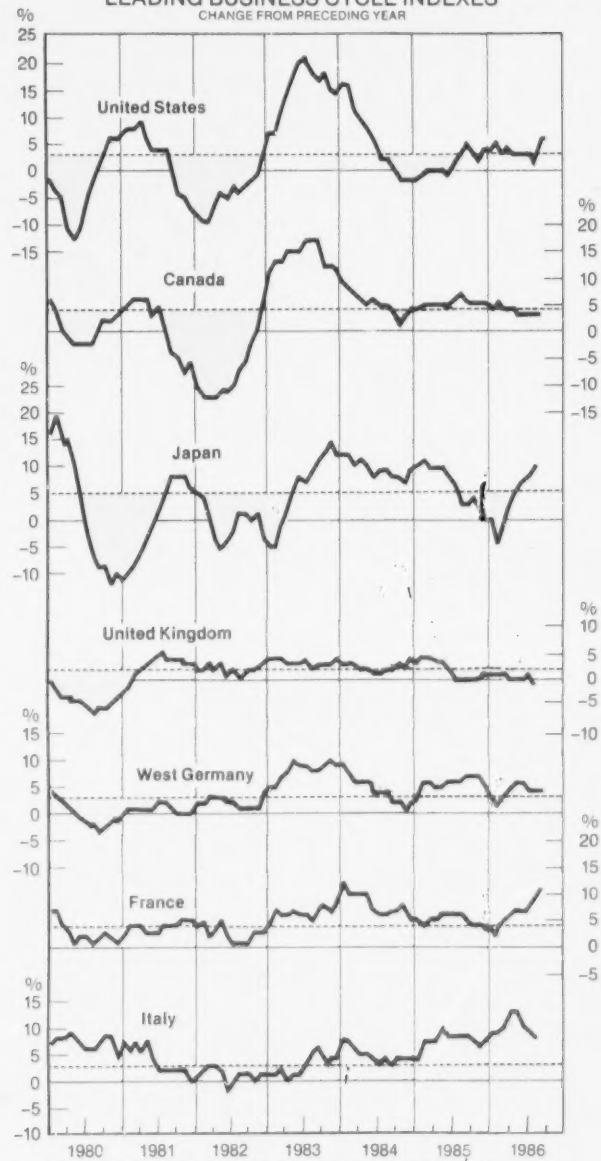
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

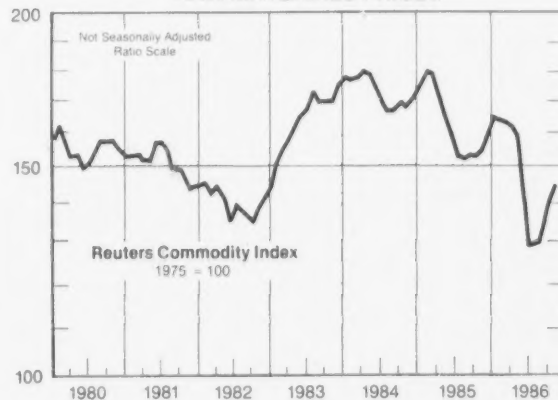


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

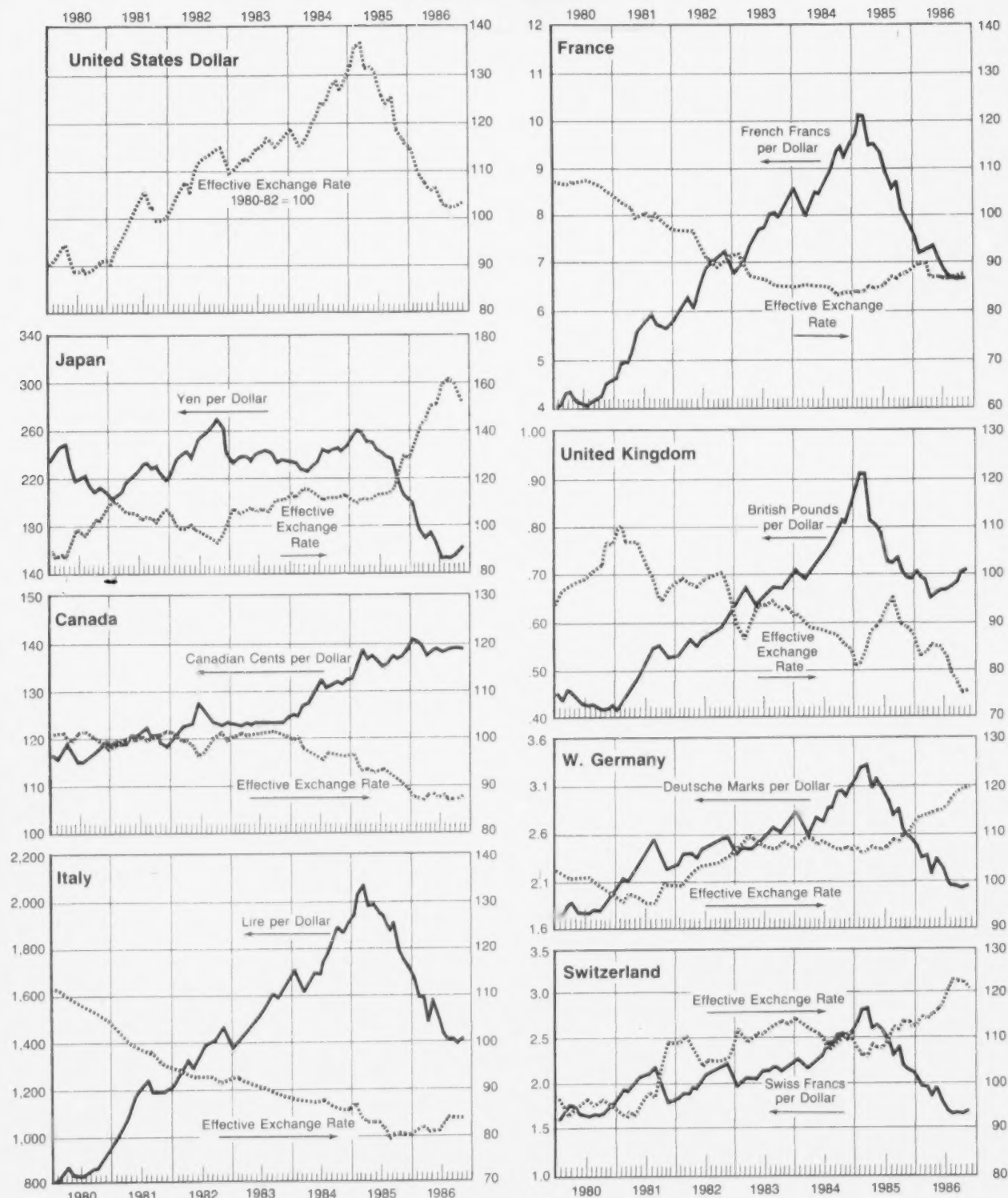


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates. Index numbers 1980-82 = 100. Each index shows a currency's trade-using averages weighted appreciation or depreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET

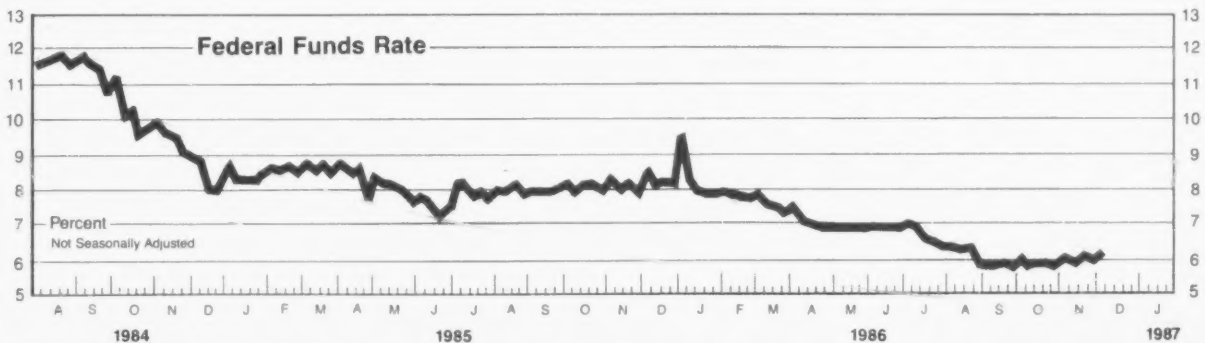
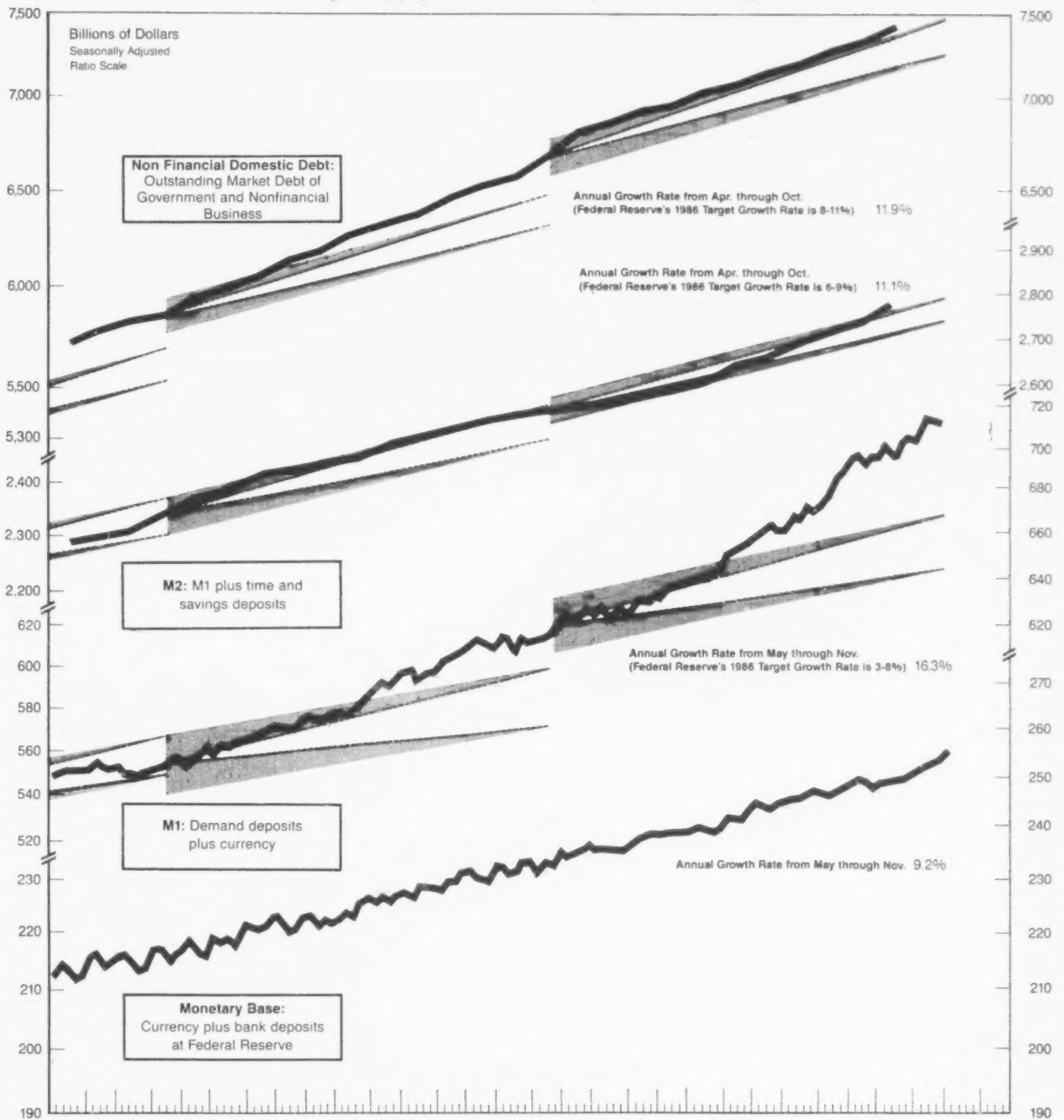
(Billions of Current Dollars)

	Fiscal 1986	Fiscal 1987		Fiscal 1988
	Actual	Administration's Latest Estimate	Congress's Latest Estimate	Administration's Latest Estimate
		(8/6/86)	(8/4/86)	(8/6/86)
Receipts	\$769.1	\$831.2	\$852.4	\$ 918.2
Outlays	989.8	975.0	995.0	1,015.7
Deficit	-220.7	-143.8	-142.6	- 97.5
Receipts by source	\$769.1	\$831.2	\$852.4	\$ 918.2
Individual income	349.0	381.7		423.1
Social security	283.9	304.6		333.9
Corporate income	63.1	75.0		92.6
Other receipts	73.1	69.9		68.6
Outlays by function	\$989.8	\$975.0	\$995.0	\$1,015.7
National defense	273.4	282.2	279.2	299.1
Social security	268.9	274.6	282.7	294.5
Income security	120.7	120.7	121.8	123.5
Health	35.9	35.9	38.3	36.0
Education & manpower	29.7	28.6	30.6	26.8
Veterans benefits	26.6	26.0	26.6	26.2
Transportation	28.1	25.8	25.9	24.4
Agriculture	31.2	18.7	23.5	23.0
International affairs	14.5	15.8	14.0	17.0
Natural resources	13.5	12.4	12.6	12.1
General science	9.0	9.3	8.9	9.6
Justice	6.6	7.1	7.2	7.2
General government	6.8	5.7	5.5	5.8
Community development	7.5	6.9	7.0	5.7
Commerce, Housing credit	4.3	0.8	2.1	0.9
Energy	4.8	2.7	3.5	4.6
Revenue sharing	6.4	2.2	2.8	1.6
Interest	135.3	139.1	143.7	140.8
Allowances	0.0	1.4	- 0.1	4.4
Offsetting receipts	- 33.2	- 41.1	- 40.3	- 47.3

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP				
Current Dollar		\$4,536.0	\$4,504.0	\$4,894.0
Constant (1982) Dollar		3,837.0	3,810.0	3,994.0
Percent change in				
Current dollar		7.4%	6.8%	7.9%
Constant (1982) dollar		4.0	3.4	3.9
Implicit price index		3.3	3.3	3.3
Consumer price index		2.8	3.3	3.7
91-Day T bill rate		6.2	6.4	5.1
Unemployment rate		6.5	6.7	6.1

Money Supply and Monetary Growth Targets



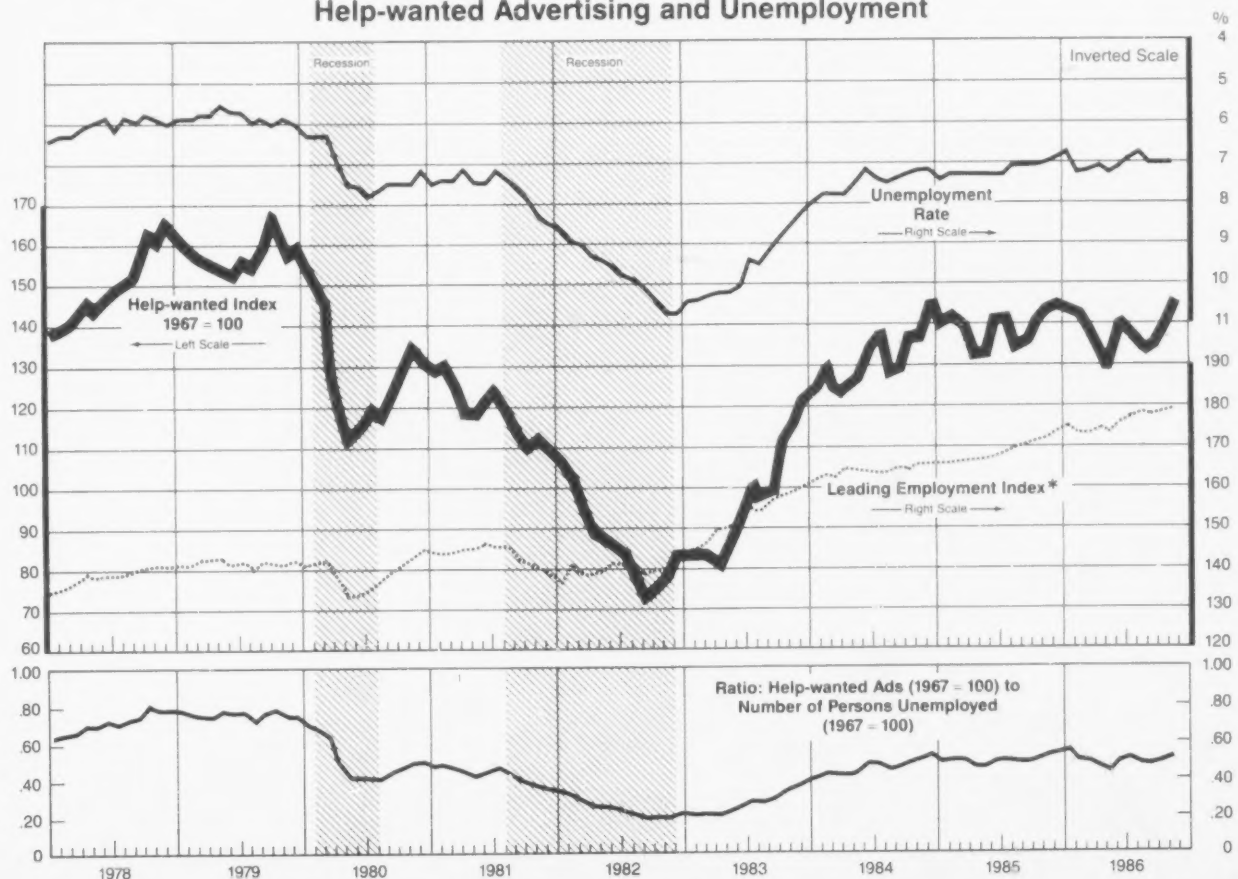
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

Locality	1986			1985			1986			1985		
	Oct.	Sept.	Aug.	Oct.	Sept.	Aug.	July	June	Aug.	Sept.	Aug.	Sept.
National Index	141	135r	134	140								
New England	171	165	159	157								
Boston	175	170	160	164			Charlotte	173	158	158	143	
Hartford	183	181	174	166			Jacksonville	221	212	218	217	
Providence	149	133	142	124			Miami	103	99	87	85	
							Richmond	131	127	127	116	
							Washington, D.C.	N.A.	172	190	179	
Middle Atlantic	82	81	75	72			East South Central	159	138	143	150	
Albany	286	182	172	174			Birmingham	158	141	146	160	
Allentown	282	249	260	190			Knoxville	227	217	216	200	
New York	58	66	57	58			Louisville	83	75	79	92	
Philadelphia	71	68	67	63			Memphis	N.A.	120	130	102	
Pittsburgh	79	76	80	76			Nashville	236	184	189	234	
Rochester	81	76	81	82			West South Central	152	146	153	221	
Syracuse	N.A.	N.A.	N.A.	114			Dallas	161	152	160	308	
East North Central	93	90	92	86			Houston	202	195	205	267	
Chicago	105	101	100	96			New Orleans	99	93r	100	101	
Cincinnati	144	136	150	132			Oklahoma City	89	93	96	120	
Cleveland	59	60	62	58			San Antonio	141	137	138	199	
Columbus	163	157	154	133			Tulsa	N.A.	105	111	124	
Dayton	76	76	82	75			Mountain	281	272	270	324	
Detroit	57	57	60	61			Denver	175	169	173	203	
Gary	118	119	119	111			Phoenix	419	394	384	482	
Indianapolis	100	98	93	90			Salt Lake City	292	298	300	395	
Milwaukee	65	63	61	57			Pacific	221	210	207	207	
Toledo	115	113	119	113			Los Angeles	147	149	144	150	
West North Central	95	90	85	89			Sacramento	393	383	394	369	
Kansas City	165	147	151	145			San Bernadino	271	237r	238	240r	
Minneapolis	79	75	55	73			San Diego	569	468	461	473	
Omaha	116	120	132	115			San Francisco	224	214	211	207	
St. Louis	63	62	64	64			Seattle	213	215	213	192	
South Atlantic	195	183	185	190			Percentage of papers with rising volume	80	37	18	69	
Atlanta	270	252	245	291			Unemployment rate	7.0	7.0	6.8	7.1	
Baltimore	231	218	225	220								

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	59.8	70.1	81.2	81.8	85.9	87.0	87.8	89.9	92.2	93.5	96.7	104.9
1984	105.0	102.0	102.9	103.8	102.0	103.7	98.5	101.6	102.4	101.7	106.1	98.7
1985	103.0	104.0	98.0	101.0	96.6	100.0	101.2	99.6	98.9	99.3	98.7	99.8
1986	97.8	96.9	96.9	99.0	97.2	97.2	95.5	90.6	92.8	89.2r	89.6p	

Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1983	71.7	71.1	77.5	85.6	84.7	89.0	94.4	85.0	101.6	102.2	99.2	99.3
1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	105.6	103.9	101.9	135.3	108.9	114.4	103.7	109.7	105.8	99.4r	87.7p	

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

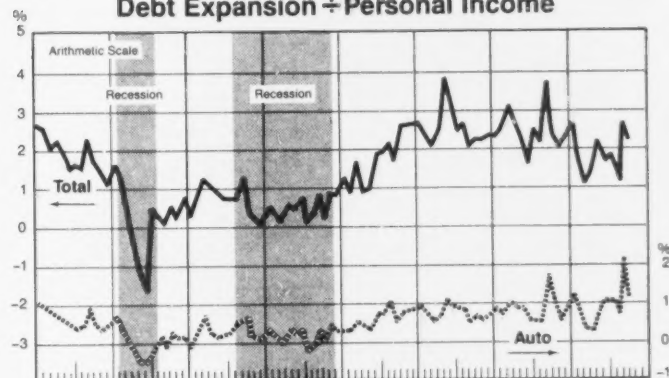
p—preliminary

r—revised

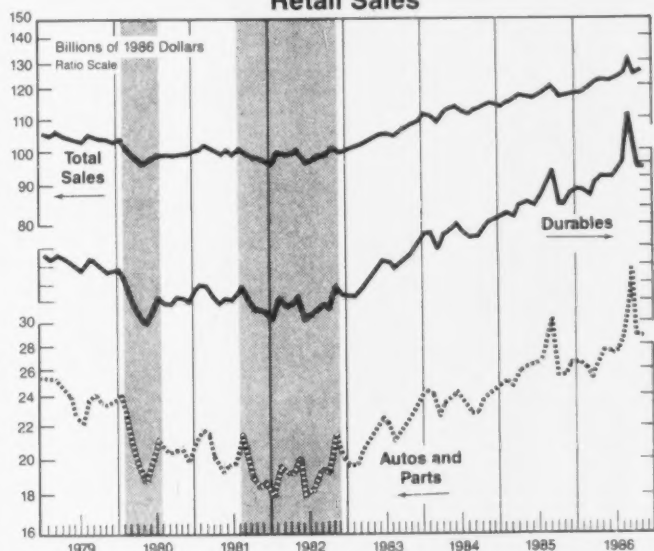


ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes. For more information, contact Linette Waters at (212) 759-0900.

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



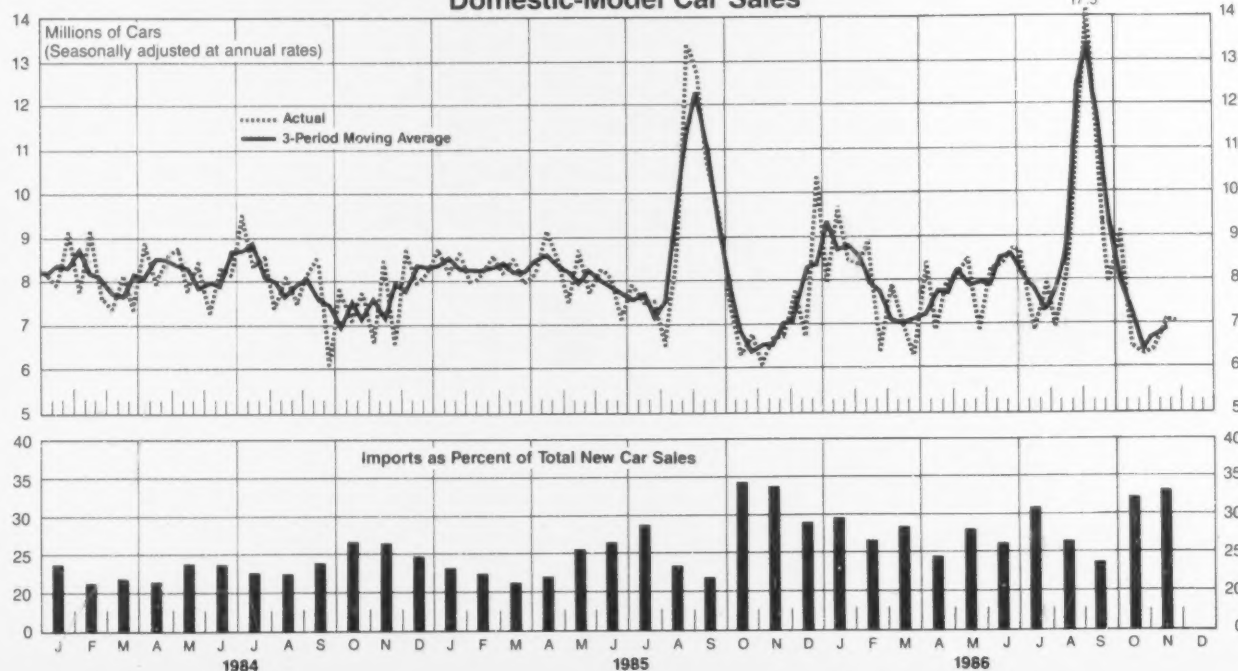
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods	1983	1984	1985	1986
January: 1-10	6.17	8.16	8.69	7.97
11-20	6.20	7.84	8.15	9.63
21-31	5.60	9.15	8.62	8.40
February: 1-10	5.86	7.79	7.97	8.32
11-20	5.30	9.17	8.04	8.93
21-28(29)	6.07	7.60	8.58	6.38
March: 1-10	5.61	7.35	8.14	7.81
11-20	6.10	8.13	8.44	6.99
21-31	6.19	7.35	7.94	6.24
April: 1-10	6.69	8.88	8.16	8.39
11-20	6.52	7.96	9.12	6.97
21-30	6.35	8.60	8.46	7.96
May: 1-10	6.67	8.75	7.45	8.13
11-20	6.30	7.74	8.69	8.49
21-31	6.97	8.43	7.70	6.86
June: 1-10	7.23	7.22	8.21	8.27
11-20	7.34	8.25	8.02	8.38
21-30	7.28	8.10	7.16	8.71
July: 1-10	7.25	9.51	7.89	8.59
11-20	7.36	8.32	7.47	6.89
21-31	7.43	8.59	7.53	7.92
August: 1-10	7.39	7.33	6.47	6.95
11-20	6.11	8.07	8.39	8.28
21-31	6.65	7.43	13.29	11.70
September: 1-10	6.26	8.13	12.76	17.47
11-20	7.21	8.52	10.63	10.81
21-30	6.55	6.03	9.49	7.90
October: 1-10	7.52	7.83	7.44	9.12
11-20	7.56	7.07	6.27	6.41
21-31	7.45	7.70	6.75	6.32
November: 1-10	6.96	6.60	6.04	6.38
11-20	6.55	8.44	6.66	7.06
21-30	7.62	6.57	6.70	7.04
December: 1-10	7.30	8.75	7.72	
11-20	8.09	7.96	6.74	
21-31	8.48	8.19	10.38	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



171790000001 0000 000
Statistical Reference Index
Acquisitions
4920 East West Highway - Suite 800
Bethesda, MD 20814

STATISTICAL BULLETIN

2/17/87 84105-3 A

Volume 20, No. 1, January, 1987

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The Conference Board
70th Anniversary



- LABOR MARKET CONDITIONS ARE IMPROVING A BIT
- AND INDUSTRIAL CONDITIONS HAVE PERKED UP
- CONSUMER DEMAND IS STILL EXPANDING
- BUT HOME BUYING & BUILDING REMAINS WEAK
- AND INCREASING IMPORTS HAVE WIDENED THE TRADE DEFICIT
- OUTLOOK • AFTER A RELATIVELY SLUGGISH FIRST QUARTER, ECONOMIC GROWTH IS EXPECTED TO BE MORE MODERATE IN THE SECOND QUARTER

OVERVIEW: The U.S. economic expansion is now into its 5th year, making it one of the longer periods on record. While the expansion retains some momentum, the uneven growth pattern of the past 2 years seems likely to continue, at least for now. The consensus of the **Economic Forecasts** is that real GNP rose at a seasonally adjusted 2.9% annual rate in the fourth quarter. But at times during this 5-year expansion, moderately strong spending growth has generated a rising tide of imports, worsening the trade deficit. That higher trade deficit, in turn, has acted as a constraint on growth. Something like that may be happening now. Real GNP growth is anticipated to be only about 1.9% in the first quarter of 1987.

Increasing consumer demand has been a major source of momentum in this long expansion period. And with some components of personal income now rising a little faster, continued gains in spending seem likely. That income and spending growth continues—even quickens a bit—suggests that even at this late stage there remains some momentum in the economic expansion. The consensus of the **Economic Forecasts** is that it will last through this year and next.

DOMESTIC MARKET MONITOR

Labor market conditions have unexpectedly brightened over the last few months. The unemployment rate dropped to 6.7% in December. Although growth in service employment continues to outpace the rise in goods-production jobs, manufacturing employment has begun to rise. Moreover, demand for labor, after changing very little over the last year and a half, seems to have picked up a bit. The consensus of the **Economic Forecasts**, however, is that the unemployment rate will still be around 6.7% by the end of 1987.

Given increases in both employment and the average workweek, total hours worked were 0.4% higher in December than 3 months earlier. Hours were only 0.3% higher in nonmanufacturing industry, but the increase was 0.7% in manufacturing. Overall, hours rose at a 2.1% annual rate

in the fourth quarter. Given that rise in hours, and some improvement in productivity, the economy could well have expanded at a 2.9% rate in that quarter (median of the **Economic Forecasts**.)

More hiring reflects some improvement in labor demand. The Conference Board's **Help-wanted Index** stood at 146 (1967=100) in November. Early returns to the December survey show that this measure of labor demand is running slightly ahead of year-earlier levels.

INCOME: Wage gains are no longer sluggish. In the commodity-producing industries, they were 0.8% higher in November than 3 months earlier—double the rise over the prior 3-month period. Wages in other industries continued to rise somewhat faster (1.7% higher in November than 3 months earlier.)

Nonwage income was only 0.2% higher in November than 3 months earlier. Rents and stockkeepers' income are rising sharply, but dividend growth has slowed significantly.

Consumer borrowing, except on cars, remains relatively modest. And car loans have slowed considerably in the post-promotion period. Total consumer indebtedness, then, appears to be on a slightly declining trend.

Consumer attitudes about current conditions have changed. Expectations, however, have not. The appraisal of current conditions waned from July through October and then rebounded in the last 2 months. Expectations about conditions six months hence also declined this Summer and early Fall, but have not rebounded. Overall, The Conference Board's **Consumer Confidence Index** stood at 94 (1985=100) in December, about the level of last Spring.

SPENDING: Consumer buying is still the mainstay of this long-lived expansion. Retail sales, except for cars, were 1.4% higher in December than 3 months earlier. Sales of building material, hardware, furniture and appliances remain brisk. And if there is some pickup in wage growth and a little rebound in consumer attitudes, total consumer spending may well maintain its momentum over the short-term.

CONSTRUCTION: Housing demand has turned soft. New, single-family home sales were 9.8% lower in November than in September. The drop in sales of existing homes

Ken Goldstein, Editor

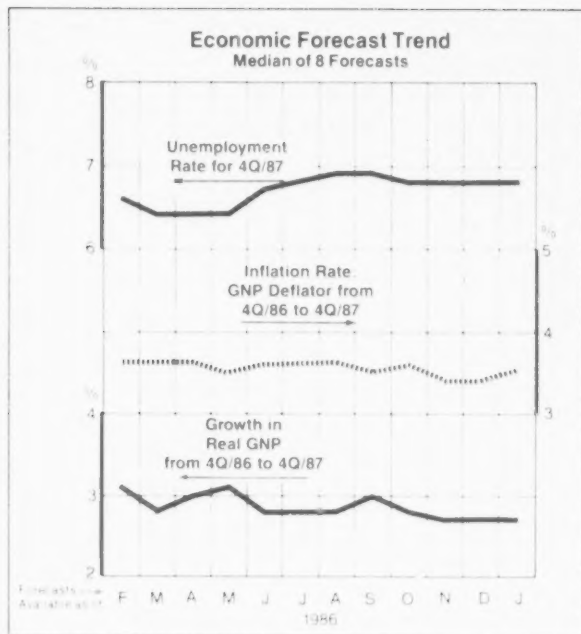
STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.

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New York, New York 10022

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was less pronounced. Given a cutback in construction, the inventory of unsold homes rose only modestly.

The recent downturn in construction has been quite sharp. Single-unit construction was 7.8% lower in November than 3 months earlier. Single-unit permits were 6.4% lower. Multi-unit starts were 17.1% lower while permits were only 2.4% lower. The severe and prolonged decline in rental-unit construction, then, may be nearing an end.

A recent pickup in nonresidential construction appears to have been short-lived. The value of such new construction was 2.6% lower, deflated, in November than in September. Office and commercial building slowed while industrial building remains sluggish.

PRODUCTION: Output is back on an uptrend. Processing of raw material was 0.6% higher in November than 3 months earlier, despite a 0.9% drop in energy production. Output of semi-finished goods was 0.4% higher. Finished consumer goods were 1.1% higher. To be sure, defense- and space-related output was 1.9% higher. Still, except for energy-related output, production is rising. And given the rise in employment and hours in December, it continues to rise.

One reason for rising industrial output is that more new orders are coming in—after months of little or no change. Total new orders for durable goods, except defense-related, were 3.5% higher in November than 3 months earlier. Keep in mind that, compared to one year earlier, orders, except defense, were only 2.3% higher in November.

INVENTORY: Rising industrial production, in response to a pickup in new orders, suggests that inventory accumulation may remain in check. Total inventory was 0.1% lower in October than 3 months earlier—largely the result of

high-volume car sales. Inventory, except cars at the retail level, was only 0.2% higher. But industrial sales increased. Hence, the inventory-to-sales ratio has edged lower.

INFLATION: Raw food and energy prices have been declining a bit. But raw industrial commodity prices were 11.8% higher in December than 3 months earlier. And oil is back to \$19/bbl. Nonfood, nonenergy prices for raw material at the wholesale level were 0.7% higher in December than 3 months earlier.

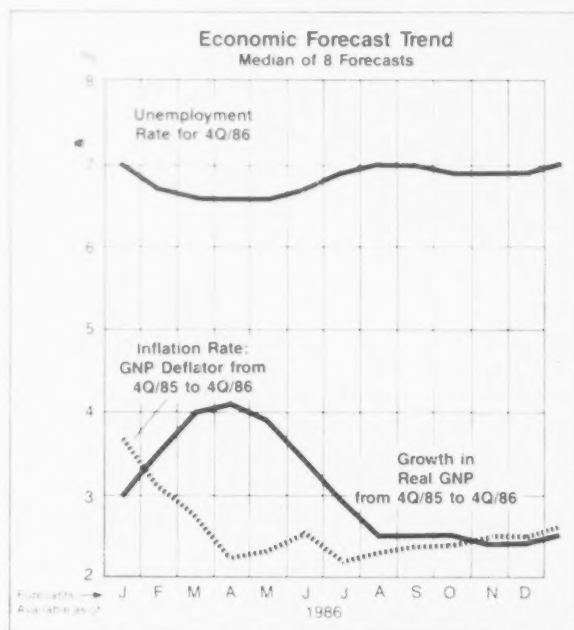
INTERNATIONAL MONITOR

Despite a year-long drop in the dollar, imports of manufactured goods were 6.4% higher in November than in July—despite a decline in shipments of aircraft and parts. This partly reflects resumed car shipments from Canada, following a strike there. But imports of cars and parts from Japan and elsewhere also have risen sharply. Moreover, the dollar was falling again in January, which may initially raise the dollar volume of imports.

The widening trade deficit is entirely due to rising imports. Total exports were 5.6% higher in November than 3 months earlier. Exports of manufactured goods were 13.9% higher.

The trade-weighted **Exchange Rate** of the dollar fell 9.7% from December, 1985 through July, 1986. But it only declined by 1.3% from July through last December. In January, the dollar continued to fall, especially against the mark and the yen.

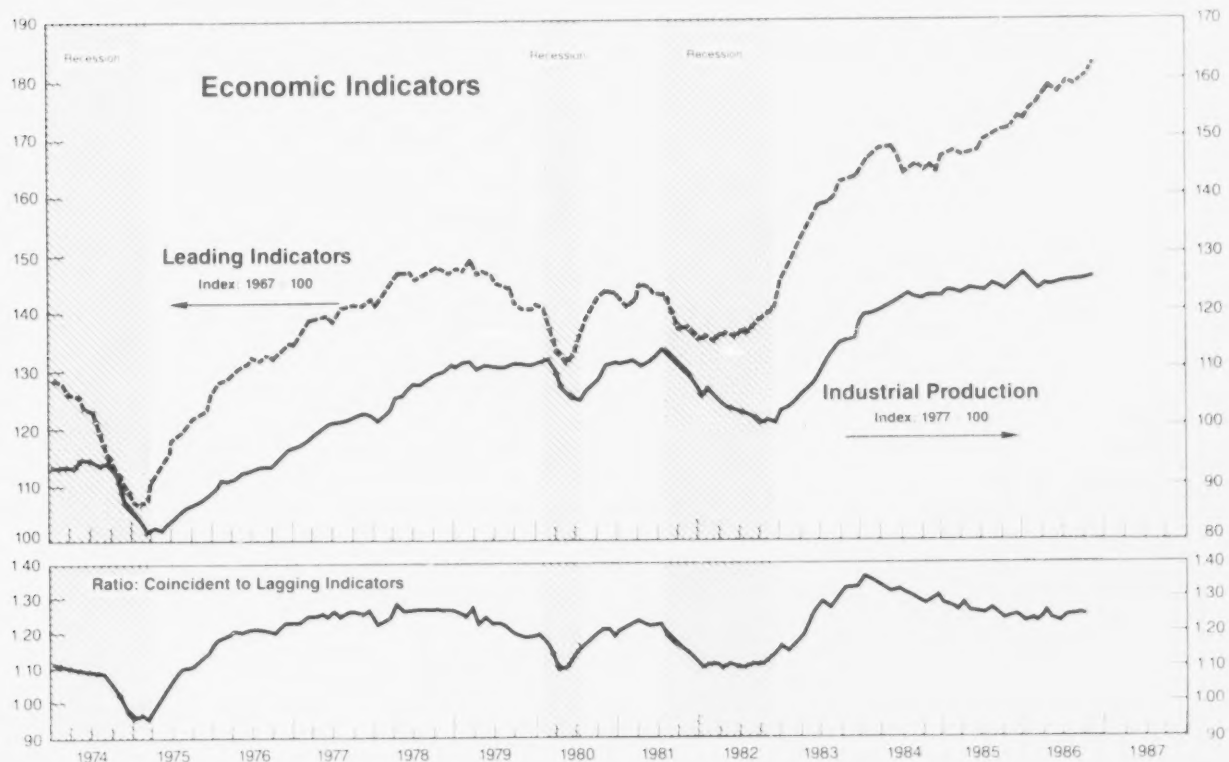
Ken Goldstein
January 15, 1986



STATUS OF LEADING ECONOMIC INDICATORS

		Rising (Classification based on movement of series over several months)	Level	Declining	Change over latest three months	Change From Year-Ago
Leading Economic Indicators						
	Nov.	X			1.9%	6.4%
Capital Investment Commitments						
* Contracts and orders, plant & equipment (deflated)	Nov.	X			7.2%	9.7%
New orders, nondefense capital goods (deflated)	Nov.	X			6.4%	13.6%
* New business formation	Nov.		X		0.2%	2.2%
* Housing permits	Nov.			X	-3.6%	-3.3%
Inventory Investment and Purchasing						
* New orders, consumer goods & materials (deflated)	Nov.		X		1.0%	-1.0%
* Change in inventory, on hand & order (deflated)	Oct.			X	-5.2%	-13.4%
Purchasing agents' buying policy	Dec.	X			3.0%	10.0%
* Vendor performance, reported slower deliveries	Nov.	X			5.0%	10.0%
Industrial raw materials prices	Dec.	X			11.6%	5.1%
* Change in sensitive material prices	Nov.		X		1.4%	1.4%
Sensitive Financial Flows						
* Money balance (M2 deflated)	Nov.	X			1.3%	7.7%
Change in business loans	Nov.		X		-17.7%	-33.4%
* Change in credit outstanding	Nov.		X		-0.2%	-4.6%
Change in consumer installment debt	Oct.		X		16.9%	2.7%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q.	X			5.1%	-0.5%
* Common stock prices	Dec.	X			4.8%	20.5%
Marginal Employment Adjustments						
* Average workweek, mfg.	Dec.		X		0.1hr	-0.1hr
* Initial unemployment claims (inverted)	Dec.			X	5.1%	10.5%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington D.C.: Government Printing Office) June, 1977.
 * These twelve series make up the Composite Leading Index charted below.



CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1985	1986			
	Nov	Aug	Sep	Oct	Nov (e)
Principal Diffusion Index	56.0	53.7	55.0r	53.8r	58.5
Auxiliary Diffusion Index	52.8	47.9	54.2r	46.3r	65.3
Industrial Group	58.3	49.8	50.5r	52.5r	58.4
Nonindustrial Group	53.7	57.6	59.4	55.1	58.7
Sense of Diffusion	1	0	1	1	1

SUBGROUP DIFFUSION INDEXES

Industrial Subgroups

Production	70.1	62.4	62.8r	67.9r	70.5
Labor	61.3	47.8	47.9	51.2	57.6
Miscellaneous	33.3	35.9	38.5	32.7	42.3

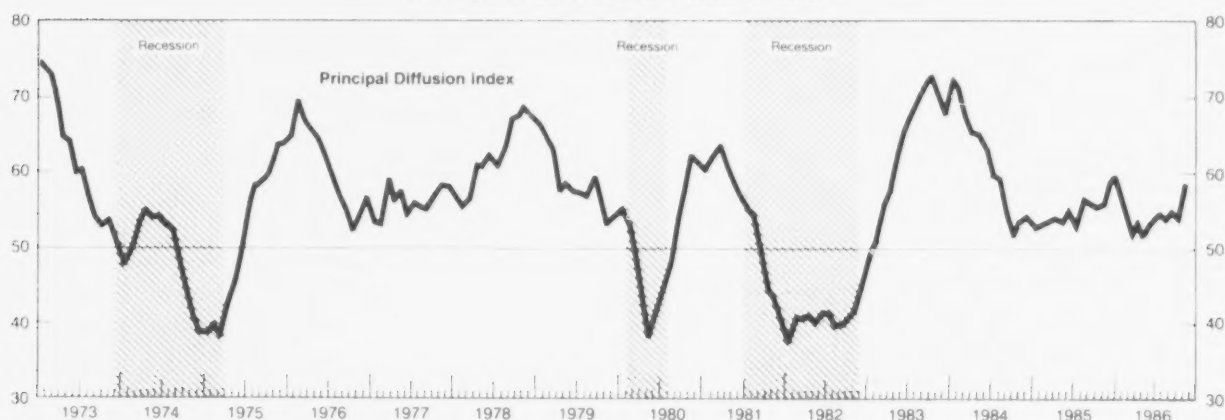
Nonindustrial Subgroups

Prices	45.5	66.0	64.1	61.5	66.7
Consumer	62.8	70.5	75.2	69.7	74.4
Building	50.3	42.3	43.3	36.5r	38.1
Miscellaneous	52.1	49.1	51.3	48.7r	51.3

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board RECORD, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1984				1985				1986		
	Feb.	May	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	Nov.
Score (scale 0-100)											
Measure of Business Confidence	70	65	61	57	61	52	51	55	61	61	50
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	76	75	70	57	62	48	45	53	63	61	44
2. Expectations for Economy, Six Months Ahead	67	60	57	57	61	53	53	56	62	62	52
3. Expectations for Own Industry, Six Months Ahead	67	61	57	58	61	55	54	56	59	60	54

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

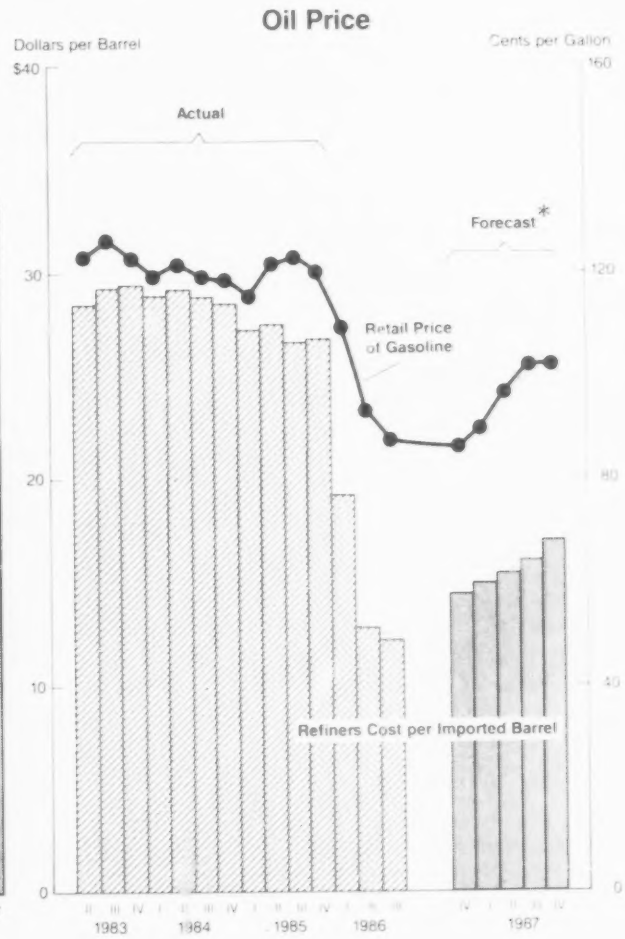
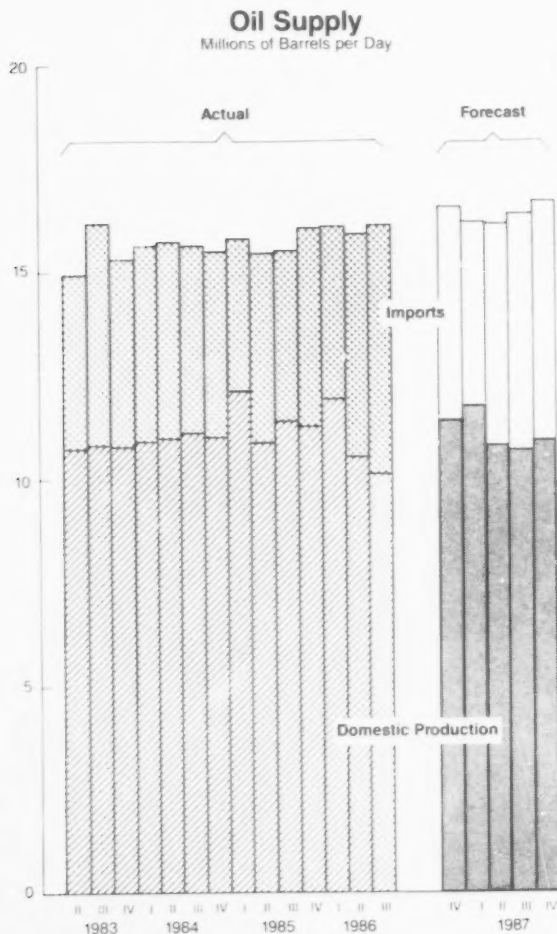
Billions of Dollars, Seasonally Adjusted

	1985				1986			Percent Change From Previous Year	
	I	II	III	IV	I	IIr	IIIp	Actual	Estimate
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	29 938	27 560	24 167	27 190	23 386	19 991	20 208	- 8	- 6
Capital expenditures	23 354	24 911	24 730	26 336	23 566	24 309	22 902	10	- 2
Change in appropriations backlog*	+ 4 984	+ 0 529	-2 702	-2 594	-2 368	-6 447	-4 644		
Durable Goods									
New appropriations	16 737	10 910	12 031	12 005	11 613	9 578	10 322	-13	9
Capital expenditures	11 648	12 814	12 299	12 676	11 479	11 880	12 567	15	5
Change in appropriations backlog*	+ 4 154	+ 2 515	-1 094	-3 063	-1 582	-3 824	-3 450		
Nondurable Goods									
New appropriations	13 201	16 650	12 136	15 185	11 773	10 413	9 886	- 2	-20
Capital expenditures	11 706	12 097	12 431	13 660	12 087	12 429	10 335	6	- 9
Change in appropriations backlog*	+ 0 830	+ 3 044	-1 608	+ 0 469	-0 786	-2 623	-1 194		
ELECTRIC & GAS UTILITIES									
New appropriations	9 370r	15 139r	5 093r	8 692r	9 084	5 094	5 044	- 3	
Capital expenditures	9 078r	9 366r	9 078r	8 417r	7 425	8 115	7 839	-2 0	
Change in appropriations backlog*	+ 0 363r	+ 4 662r	-4 984r	-0 261r	+ 1 773	-7 325	-0 028		

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities

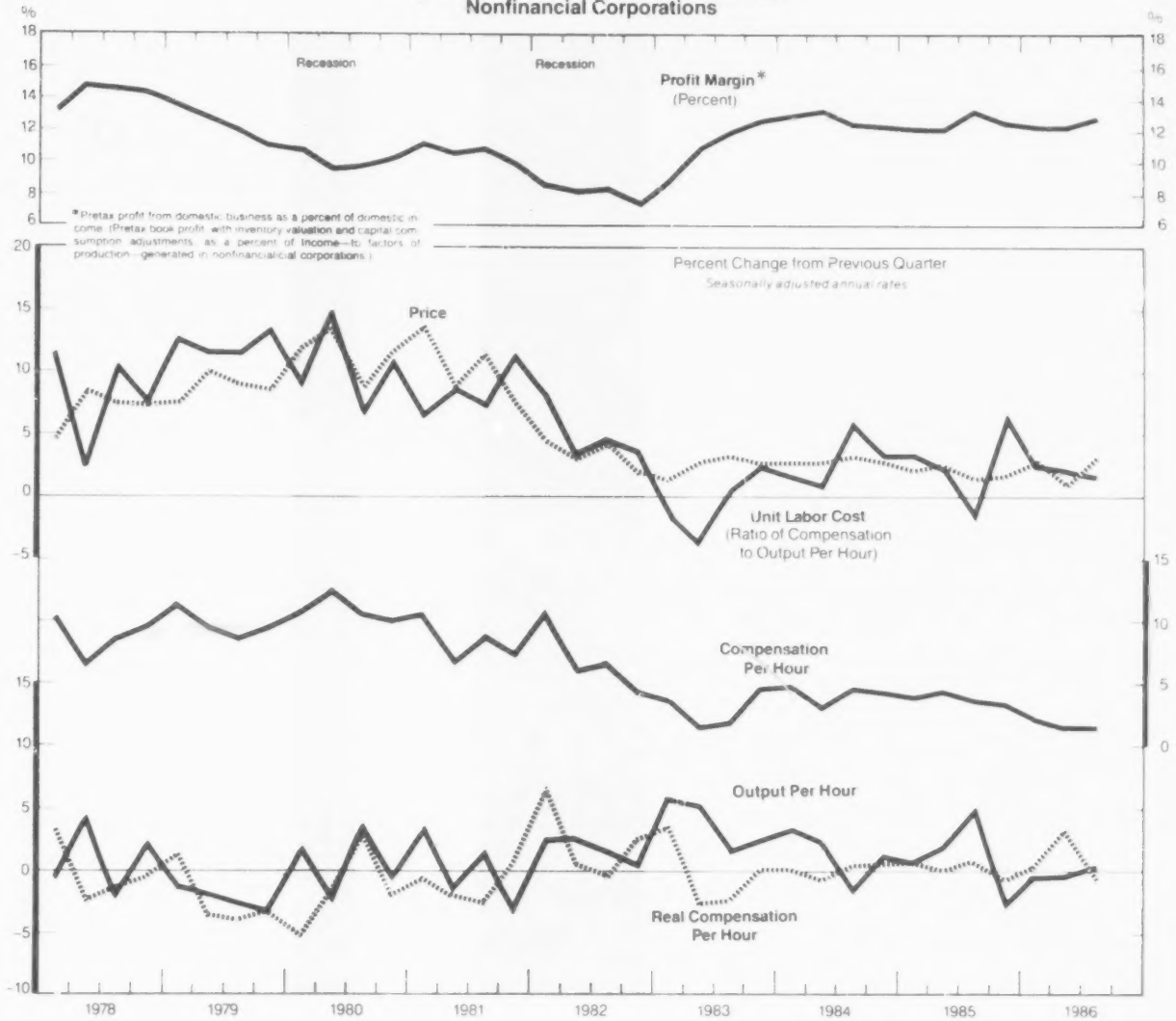
r—revised p—preliminary

* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments)

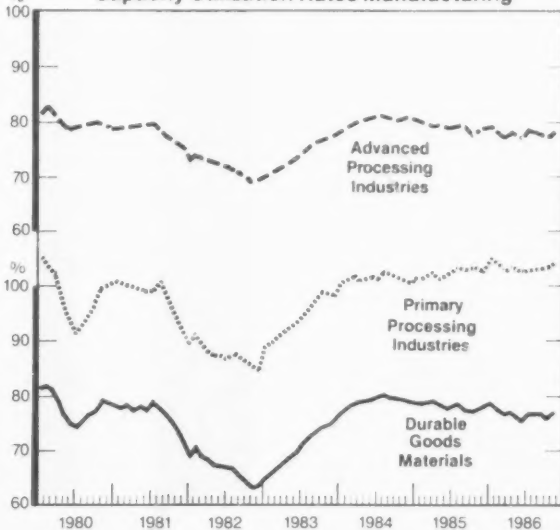


* Source of Forecast is The Energy Information Administration, Department of Energy

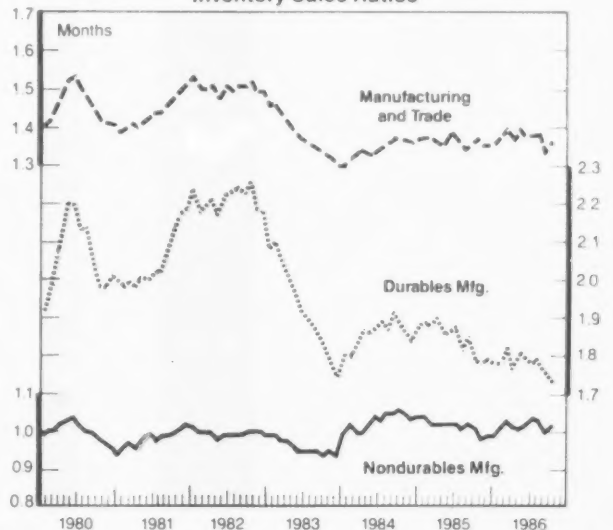
Key Determinants of Profit Margin Nonfinancial Corporations



Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

		U.C.L.A. ¹		Merrill Lynch ²		E.I. duPont ²		Georgia State University ²		
		Business Forecasting Project		Economics Inc.		de Nemours & Co.				
Date of Forecast		Nov. 1986		Dec. 1986		Dec. 1986		Dec. 1986		
		Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change	
Gross National Product										
Billions of Current Dollars										
Actual	1986	III		\$4240.7	6.4%	\$4240.7	6.4%	\$4240.7	6.4%	
		IV	4295.0	5.2	4291.6	4.9	4303.1	6.0	4302.0	5.9
	1987	I	4353.6	5.6	4337.7	4.4	4361.3	5.5	4353.7	4.9
		II	4426.8	6.9	4395.8	5.5	4444.8	7.9	4414.3	5.7
		III	4511.3	7.9	4465.9	6.5	4546.8	9.5	4479.0	6.0
		IV	4592.9	7.4	4541.3	6.9	4626.7	7.2	4535.6	5.2
	1988	I	4686.2	8.4	4624.4	7.5	4704.5	6.9	4616.6	7.3
		II	4773.3	7.6	4703.5	7.0	4780.4	6.6	4701.8	7.6
		III	4843.9	6.0	4781.7	6.8	4851.9	6.1	4793.1	8.0
		IV	4916.6	6.1	4861.9	6.9	4921.4	5.9	4888.0	8.2
	1986	Annual	4215.2	5.4	4214.3	5.4	4217.2	5.5	4216.9	5.5
	1987	Annual	4471.2	6.1	4435.2	5.2	4494.9	6.6	4445.7	5.4
	1988	Annual	4805.0	7.5	4742.9	6.9	4814.6	7.1	4749.9	6.8
Gross National Product										
Billions of Constant (1982) Dollars										
Actual	1986	III		\$3686.4	2.8%	\$3686.4	2.8%	\$3686.4	2.8%	
		IV	3720.5	3.7	3706.2	2.2	3716.0	3.3	3715.0	3.1
	1987	I	3746.2	2.8	3717.7	1.2	3734.0	2.0	3724.3	1.0
		II	3782.1	3.9	3734.1	1.8	3770.0	3.9	3747.3	2.5
		III	3825.2	4.6	3759.7	2.8	3808.0	4.1	3767.0	2.1
		IV	3866.0	4.3	3791.1	3.4	3846.0	4.1	3779.7	1.4
	1988	I	3908.9	4.5	3818.8	3.0	3872.0	2.7	3805.9	2.8
		II	3943.6	3.6	3846.0	2.9	3896.0	2.5	3835.1	3.1
		III	3960.3	1.7	3870.2	2.5	3916.0	2.1	3865.4	3.2
		IV	3983.0	2.3	3997.5	2.9	3934.0	1.9	3897.9	3.4
	1986	Annual	3681.3	2.7	3677.5	2.6	3679.9	2.6	3679.7	2.6
	1987	Annual	3804.9	3.4	3750.7	2.0	3789.5	3.0	3754.6	2.0
	1988	Annual	3949.0	3.8	3858.1	2.9	3904.5	3.0	3851.1	2.6
Gross National Product deflator										
Index, 1982 = 100										
Actual	1986	III		115.0	3.5%	115.0	3.5%	115.0	3.5%	
		IV	115.4	1.5	115.8	2.7	115.8	2.7	115.8	2.7
	1987	I	116.2	2.7	116.7	3.1	116.8	3.5	116.9	3.9
		II	117.0	2.9	117.7	3.6	117.9	3.8	117.8	3.1
		III	117.9	3.1	118.8	3.7	119.4	5.2	118.9	3.8
		IV	118.8	3.0	119.8	3.4	120.3	3.0	120.0	3.7
	1988	I	119.9	3.7	121.1	4.4	121.5	4.1	121.3	4.4
		II	121.0	3.9	122.3	4.0	122.7	4.0	122.6	4.3
		III	122.3	4.3	123.6	4.2	123.9	4.0	124.0	4.6
		IV	123.4	3.7	124.7	3.9	125.1	3.9	125.4	4.6
	1986	Annual	114.5	2.7	114.6	2.8	114.6	2.8	114.6	2.8
	1987	Annual	117.5	2.6	118.2	3.2	118.6	3.5	118.4	3.3
	1988	Annual	121.7	3.5	122.9	4.0	123.3	4.0	123.3	4.2
Unemployment Rate										
Actual	1986	III		6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	
		IV		6.9	7.0	7.0	7.0	7.0	7.0	
	1987	I		6.8	7.1	7.0	7.0	6.9	6.9	
		II		6.7	7.1	6.9	6.9	6.8	6.8	
		III		6.6	7.1	6.9	6.9	6.8	6.8	
		IV		6.4	7.0	6.8	6.8	6.8	6.8	
	1988	I		6.2	7.0	6.9	6.9	6.8	6.8	
		II		6.0	6.9	7.0	7.0	6.7	6.7	
		III		5.9	6.9	7.1	7.1	6.7	6.7	
		IV		5.9	6.8	7.1	7.1	6.7	6.7	
	1986	Annual		7.0	7.0	7.0	7.0	7.0	7.0	
	1987	Annual		6.6	7.1	6.9	6.9	6.8	6.8	
	1988	Annual		6.0	6.9	7.0	7.0	6.7	6.7	

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

¹Based on revised (first revision) third quarter data.

²Based on revised (second revision) third quarter data.

ECONOMIC FORECASTS (continued)

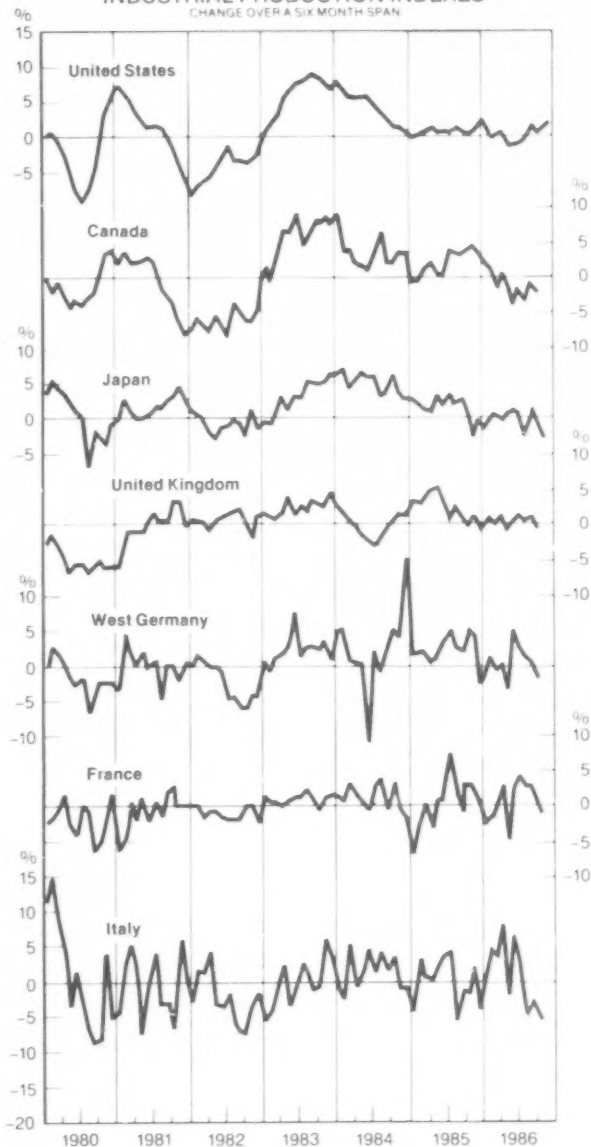
The Conference Board ²		Chase Econometric ² Associates, Inc.		Data Resources Inc. ²		Wharton E.F.A. Inc. ²		Date of Forecast		
Dec. 1986		Dec. 1986		Dec. 1986		Dec. 1986				
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
Gross National Product Billions of Current Dollars										
\$4240.7	6.4%	\$4240.7	6.4%	\$4240.7	5.4%	\$4240.7	6.4%	III	1986	Actual
\$4298.0	5.5	4293.7	5.1	4295.8	5.3	4288.4	4.6	IV		
4348.0	4.7	4338.6	4.2	4339.4	4.1	4349.6	5.8	I	1987	
4410.0	5.8	4399.0	5.7	4404.2	6.1	4426.0	7.2	II		
4487.0	7.2	4470.5	6.7	4478.3	6.9	4513.6	8.2	III		
4573.0	7.9	4531.0	5.5	4547.9	6.4	4602.7	8.1	IV		
4664.0	8.2	4598.7	6.1	4634.2	7.8	4696.8	8.4	I	1988	
4749.0	7.5	4671.8	6.5	4712.8	7.0	4789.1	8.1	II		
4800.0	4.4	4748.1	6.7	4777.7	5.6	4878.6	7.7	III		
4858.0	4.9	4820.9	6.3	4844.3	5.7	4966.1	7.4	IV		
4215.9	5.4	4214.8	5.4	4215.3	5.4	4213.5	5.4	Annual	1986	
4454.5	5.7	4434.8	5.2	4442.5	5.4	4473.0	6.2	Annual	1987	
4767.8	7.0	4709.9	6.2	4742.3	6.7	4832.7	8.0	Annual	1988	
Gross National Product Billions of Constant (1982) Dollars										
\$3686.4	2.8%	\$3686.4	2.8%	\$3686.4	2.8%	\$3686.4	2.8%	III	1986	Actual
\$3708.4	2.4%	3710.9	2.7	3718.9	3.6	3704.2	1.9	IV		
3719.5	1.2	3727.0	1.7	3728.9	1.1	3727.5	2.5	I	1987	
3740.7	2.3	3750.1	2.5	3756.8	3.0	3756.8	3.2	II		
3767.5	2.9	3778.0	3.0	3792.4	3.8	3790.7	3.7	III		
3798.2	3.3	3801.9	2.6	3824.6	3.4	3825.8	3.8	IV		
3829.2	3.3	3828.7	2.8	3862.6	4.0	3864.1	4.1	I	1988	
3854.7	2.7	3848.2	2.1	3892.3	3.1	3898.4	2.6	II		
3861.6	7	3875.2	2.8	3907.8	1.6	3928.2	3.1	III		
3874.1	1.3	3900.5	2.6	3928.8	2.2	3955.5	2.8	IV		
3678.0	2.6	3678.7	2.6	3680.7	2.7	3677.0	2.6	Annual	1986	
3756.5	2.1	3764.3	2.3	3775.7	2.6	3775.2	2.7	Annual	1987	
3854.9	2.6	3863.2	2.6	3897.9	3.2	3911.6	3.6	Annual	1988	
Gross National Product deflator Index, 1982 = 100										
115.0	3.5%	115.0	3.5%	115.0	3.5%	115.0	3.5%	III	1986	Actual
115.9	3.0	115.7	2.3	115.5	1.7	115.8	2.6	IV		
116.9	3.5	116.4	2.5	116.4	3.0	116.7	3.2	I	1987	
117.9	3.4	117.3	3.1	117.2	3.0	117.8	3.9	II		
119.1	4.2	118.3	3.5	118.1	2.9	119.1	4.3	III		
120.4	4.4	119.2	2.9	118.9	2.8	120.3	4.2	IV		
121.8	4.7	120.1	3.2	120.0	3.6	121.5	4.2	I	1988	
123.2	4.7	121.4	4.4	121.1	3.7	122.8	4.3	II		
124.3	3.6	122.5	3.8	122.3	4.0	124.2	4.5	III		
125.4	3.6	123.6	3.5	123.3	3.5	125.5	4.4	IV		
114.6	2.8	114.6	2.7	114.5	2.7	114.6	2.8	Annual	1986	
118.6	3.4	117.8	2.8	117.7	2.7	118.5	3.4	Annual	1987	
123.7	4.3	121.9	3.5	121.7	3.4	123.5	4.3	Annual	1988	
Unemployment Rate										
	6.9%		6.9%		6.9%		6.9%	III	1986	Actual
	6.9		7.0		7.0		7.0	IV		
	7.2		7.0		7.0		7.1	I	1987	
	7.3		7.0		7.0		7.0	II		
	7.3		7.0		6.9		6.9	III		
	7.1		7.0		6.8		6.8	IV		
	6.9		7.0		6.7		6.6	I	1988	
	6.9		7.0		6.5		6.5	II		
	7.3		7.0		6.5		6.4	III		
	7.4		7.0		6.5		6.3	IV		
	7.0		7.0		7.0		7.0	Annual	1986	
	7.2		7.0		6.9		7.0	Annual	1987	
	7.1		7.0		6.5		6.5	Annual	1988	

Please Note: In the interest of speeding the data contained in this publication to you, these series are available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

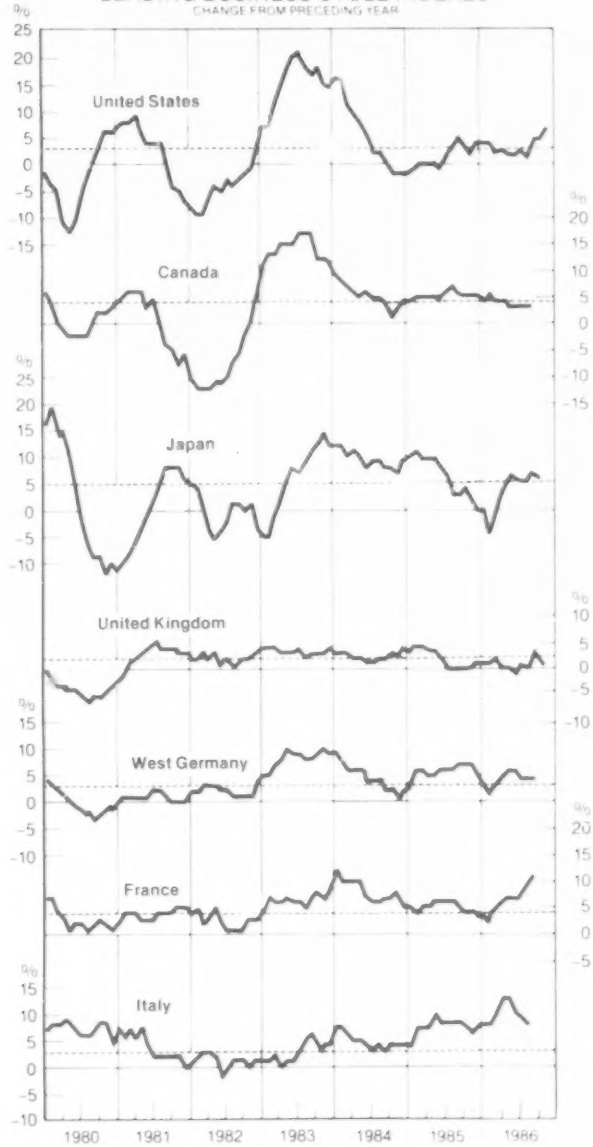
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



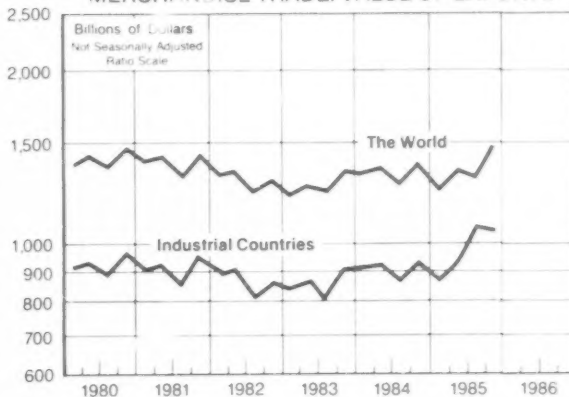
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR

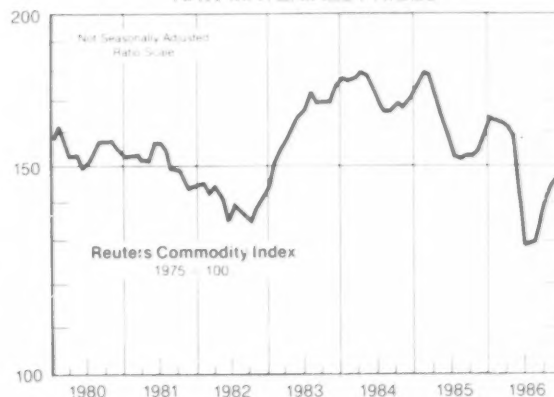


Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

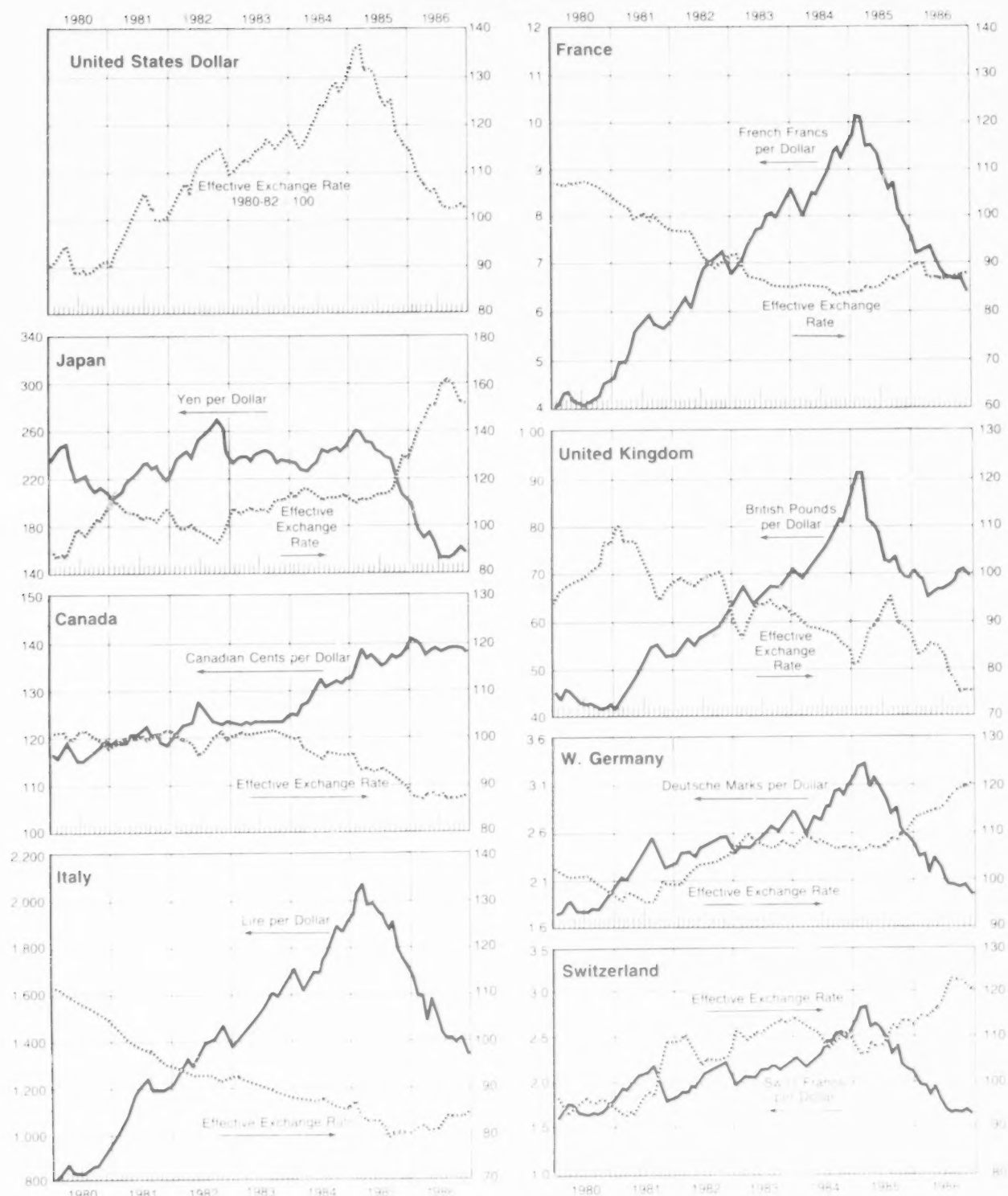


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates (solid lines) and Effective Exchange Rates (dotted lines) are based on a trade-weighted average of the exchange rates of the major currencies of Italy, Japan, the United States, the United Kingdom, France, West Germany, and Switzerland. The base year is 1980-82 = 100. Source: Morgan Guaranty Trust Co.

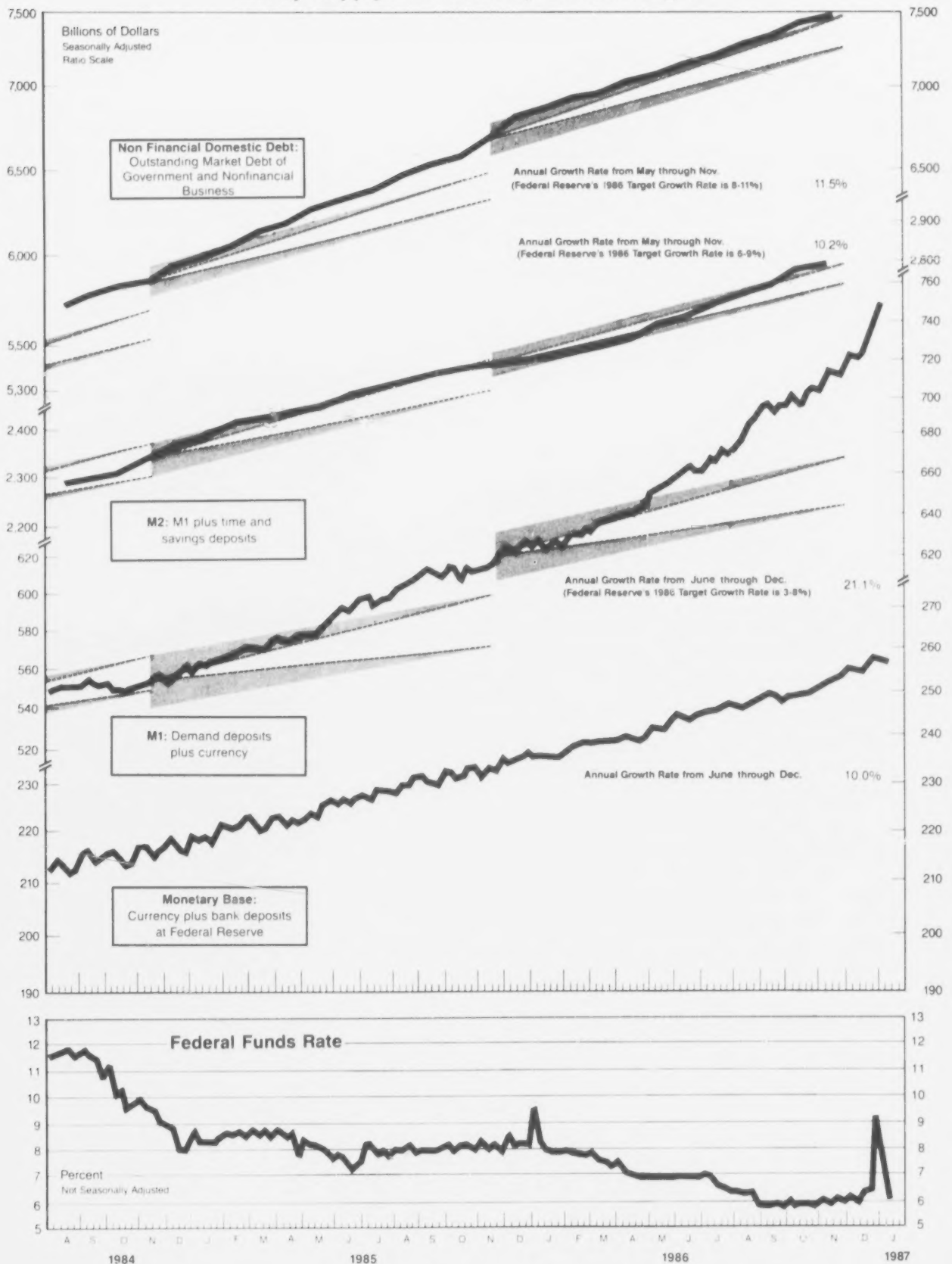
PERSPECTIVE ON THE FEDERAL BUDGET (Billions of Current Dollars)

	Fiscal 1986	Fiscal 1987		Fiscal 1988
	Actual	Administration's Latest Estimate	Congress's Latest Estimate	Administration's Latest Estimate
		(1/5/87)	(8/4/86)	(1/5/87)
Receipts	\$769.1	\$842.4	\$852.4	\$ 916.6
Outlays	989.8	1,015.6	995.0	1,024.3
Deficit	-220.7	-173.2	-142.6	-107.8
Receipts by source	\$769.1	\$842.4	\$852.4	\$ 916.6
Individual income	349.0	364.0		392.8
Social security	283.9	301.5		333.2
Corporate income	63.1	104.8		117.2
Other receipts	73.1	72.1		73.4
Outlays by function	\$989.8	\$1,015.6	\$995.0	\$1,024.3
National defense	273.4	282.2	279.2	297.6
Social security	269.0	279.5	282.7	292.4
Income security	119.8	124.9	121.8	124.8
Health	35.9	39.7	38.3	38.9
Education & manpower	29.7	29.8	30.6	28.4
Veterans benefits	26.4	26.7	26.6	27.2
Transportation	28.1	27.0	25.9	25.5
Agriculture	31.4	31.1	23.5	26.3
International affairs	14.2	14.6	14.0	15.2
Natural resources	13.6	13.9	12.6	14.2
General science	9.0	9.5	8.9	11.4
Justice	6.6	8.3	7.2	9.2
General government	6.1	6.8	5.5	7.5
Community development	7.5	6.2	7.0	5.5
Commerce, Housing credit	4.4	9.3	2.1	2.5
Energy	4.7	3.8	3.5	3.3
Revenue sharing	6.4	1.9	2.8	1.5
Interest	136.0	137.5	143.7	139.0
Allowances	0.0	0.0	0.1	0.8
Offsetting receipts	- 33.0	- 37.1	- 40.3	45.4

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP				
Current Dollar	\$4,218.0	\$4,493.0	\$4,504.0	\$4,836.0
Constant (1982) Dollar	3,681.0	3,794.0	3,810.0	3,928.0
Percent change in				
Current dollar	5.5%	6.5%	6.8%	7.2%
Constant (1982) dollar	2.7	3.1	3.4	3.5%
implicit price index	2.8	3.3	3.3	3.5
Consumer price index	1.6	3.0	3.3	3.6
91-Day T bill rate	6.0	5.4	6.4	5.6
Unemployment rate	6.9	6.7	6.7	6.3

Money Supply and Monetary Growth Targets



CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

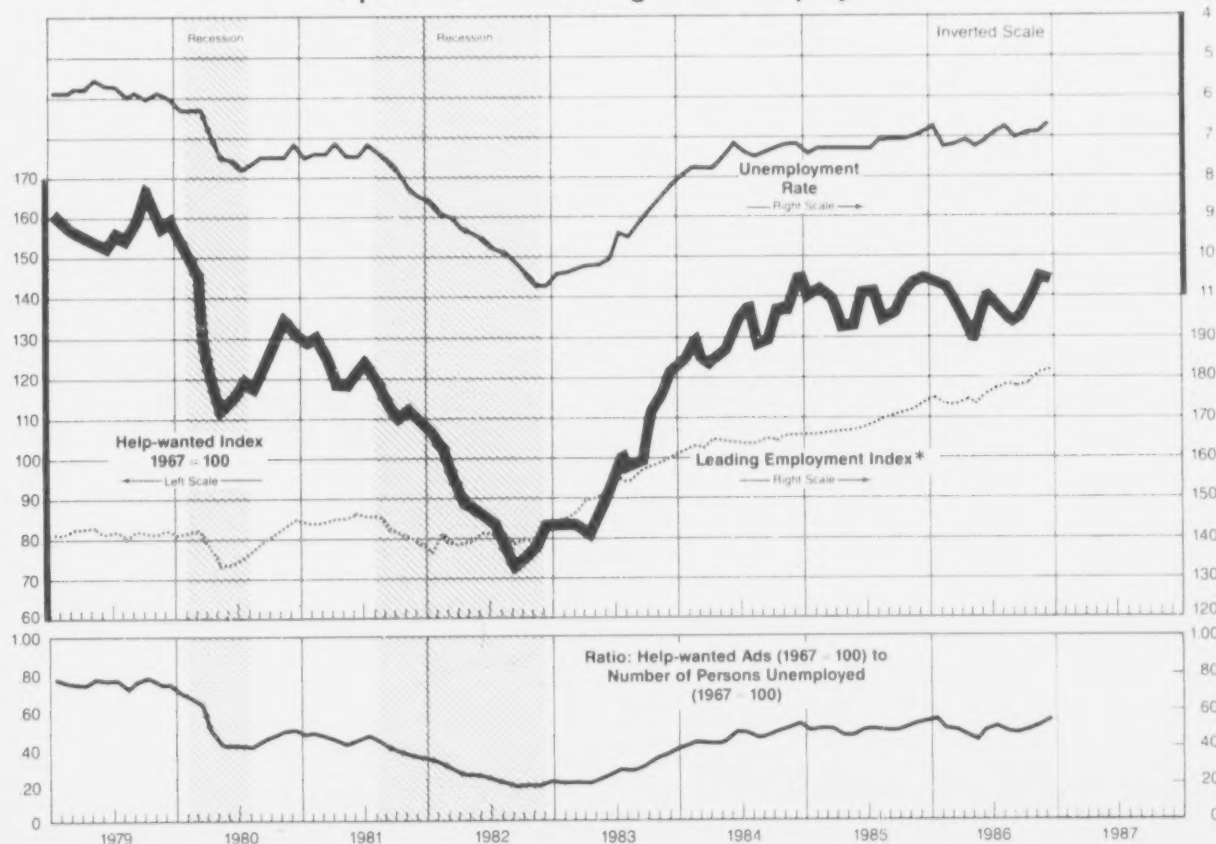
Seasonally Adjusted Indexes, 1967 = 100

Locality	1986			1985			1986			1985		
	Nov.	Oct.	Sept.	Nov.	Nov.	Oct.	Sept.	Nov.	Nov.	Oct.	Sept.	Nov.
National Index	146	141	135	144								
New England	178	171	165	161								
Boston	N.A.	175	170	171								
Hartford	182	183	181	160								
Providence	161	149	133	129								
Middle Atlantic	85	82	81	72								
Albany	190	286	182	183								
Allentown	306	282	249	189								
New York	64	58	68	58								
Philadelphia	78	71	68	62								
Pittsburgh	87	79	76	77								
Rochester	90	81	76	90								
Syracuse	N.A.	N.A.	N.A.	116								
East North Central	99	93	90	93								
Chicago	109	105	101	103								
Cincinnati	151	144	136	131								
Cleveland	65	59	60	62								
Columbus	177	163	157	146								
Dayton	84	76	76	84								
Detroit	62	57	57	67								
Gary	139	118	119	133								
Indianapolis	117	100	98	102								
Milwaukee	67	65	63	56								
Toledo	128	115	113	121								
West North Central	107	95	90	90								
Kansas City	187	185	147	148								
Minneapolis	88	79	75	75								
Omaha	129	122r	120	108								
St. Louis	71	63	62	65								
South Atlantic	192	197r	183	192								
Atlanta	285	270	252	295								
Baltimore	233	231	218	220								
Charlotte	175	173	158	141								
Jacksonville	237	221	212	240								
Miami	101	103	99	86								
Richmond	137	131	127	120								
Washington, D.C.	N.A.	190r	172	187								
East South Central	147	150r	138	149								
Birmingham	164	158	141	171								
Knoxville	213	227	217	195								
Louisville	89	83	75	94								
Memphis	119	94r	120	111								
Nashville	191	236	184	207								
West South Central	161	152	146	223								
Dallas	165	161	152	307								
Houston	216	202	195	270								
New Orleans	107	99	93	102								
Oklahoma City	100	89	93	134								
San Antonio	142	141	137	183								
Tulsa	121	102r	105	139								
Mountain	297	281	272	337								
Denver	180	175	169	204								
Phoenix	447	419	394	506								
Salt Lake City	313	292	298	357								
Pacific	226	221	210	216								
Los Angeles	158	147	149	155								
Sacramento	434	393	383	386								
San Bernardino	268	271	237	245								
San Diego	496	569	468	486								
San Francisco	235	224	214	228								
Seattle	219	213	215	188								
Percentage of papers with rising volume	86	78	37	71								
Unemployment rate	7.0	7.0	7.0	7.0								

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).

r—revised N.A.—not available

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1983	59.8	70.1	81.2	81.8	85.9	87.0	87.8	89.9	92.2	93.5	96.7	104.9
1984	105.0	102.0	102.9	103.8	102.0	103.7	98.5	101.6	102.4	101.7	106.1	98.7
1985	103.0	104.0	98.0	101.0	96.6	100.0	101.2	99.6	98.9	99.3	98.7	99.8
1986	97.8	96.9	96.9	99.0	97.2	97.2	95.5	90.6	92.8	89.2	90.3r	94.0p

Buying Plans Index

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1983	71.7	71.1	77.5	85.6	84.7	89.0	94.4	85.0	101.6	102.2	99.2	99.3
1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	96.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	105.6	103.9	101.9	135.3	108.9	114.4	103.7	109.7	105.8	99.4	92.0r	103.3p

Confidence index measures consumer optimism in appraising economic conditions. Buying plans index is based on intentions to purchase cars, homes, appliances. Expectations index (charted below) measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary

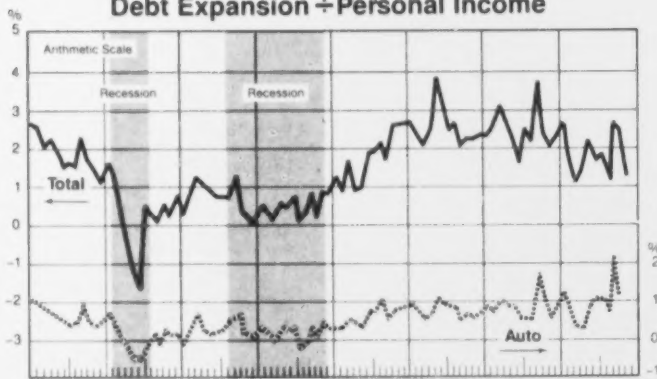
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Consumer Confidence and Expectations

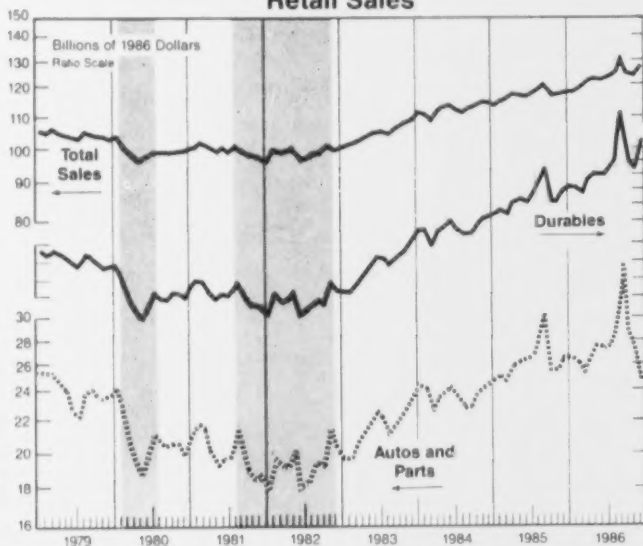


ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes. For more information, contact Linette Waters at (212) 759-0900.

Consumer Installment Debt Expansion + Personal Income



Retail Sales



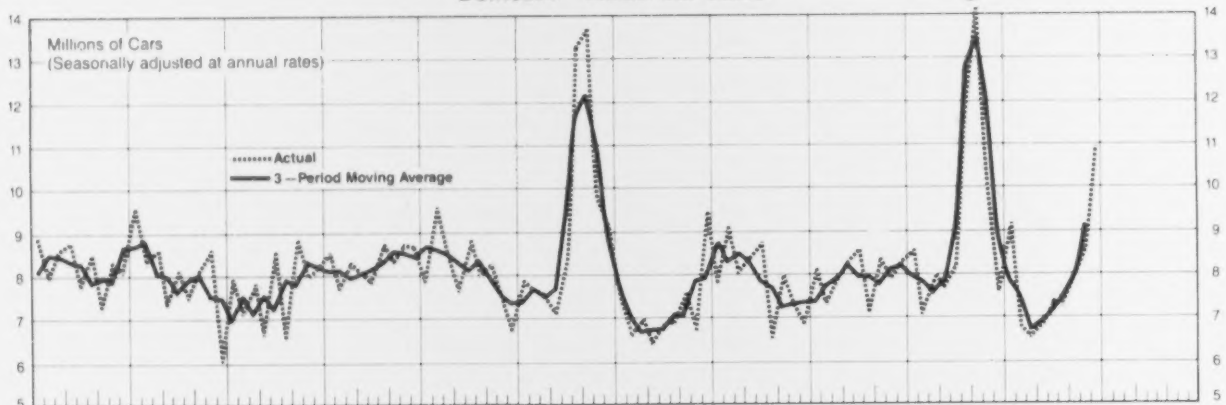
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

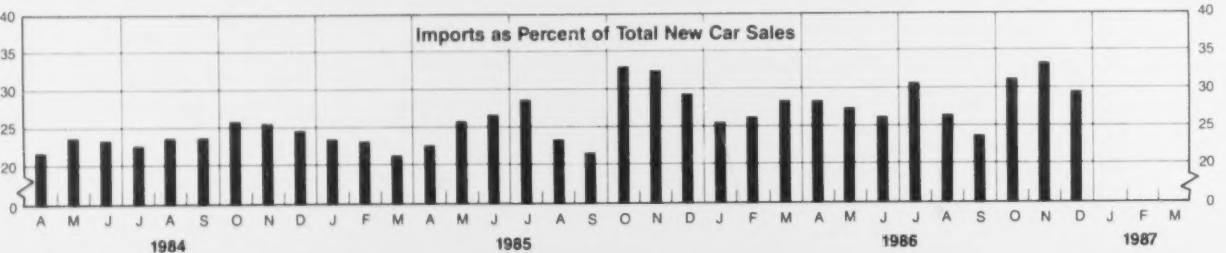
Periods	1983	1984	1985	1986
January: 1-10	6.17	8.16	8.46	7.76
11-20	6.20	7.84	7.66	9.05
21-31	5.60	9.15	8.23	8.02
February: 1-10	5.86	7.79	8.01	8.36
11-20	5.30	9.17	7.84	8.71
21-28(29)	6.07	7.60	8.69	6.47
March: 1-10	5.61	7.35	8.27	7.93
11-20	6.10	8.13	8.73	7.23
21-31	6.19	7.35	8.67	6.81
April: 1-10	6.69	8.88	7.84	8.06
11-20	6.52	7.96	9.48	7.25
21-30	6.35	8.60	8.42	7.92
May: 1-10	6.67	8.19	7.60	8.30
11-20	6.30	7.74	8.78	8.57
21-31	6.97	8.43	7.96	7.09
June: 1-10	7.23	7.22	8.21	8.27
11-20	7.34	8.25	7.51	7.84
21-30	7.28	8.10	6.71	8.30
July: 1-10	7.25	9.51	7.81	8.50
11-20	7.36	8.32	7.63	7.03
21-31	7.43	8.59	7.57	7.96
August: 1-10	7.39	7.33	7.09	7.64
11-20	6.11	8.07	8.30	8.19
21-31	6.65	7.43	13.23	11.65
September: 1-10	6.26	8.13	13.64	18.67
11-20	7.21	8.52	9.70	9.87
21-30	6.55	6.03	9.10	7.58
October: 1-10	7.52	7.83	7.40	9.07
11-20	7.56	7.07	6.57	6.72
21-31	7.45	7.70	6.92	6.51
November: 1-10	6.96	6.60	6.40	6.80
11-20	6.55	8.44	6.81	7.32
21-30	7.62	6.57	6.91	7.23
December: 1-10	7.30	8.75	7.56	7.95
11-20	8.09	7.96	6.69	8.54
21-31	8.48	8.19	9.31	10.93

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales



Imports as Percent of Total New Car Sales



17179000001 0000
Statistical Reference Index
Acquisitions
4520 East Highway - Suite 80C
Bethesda, MD 20814

STATISTICAL BULLETIN

3/19/87 R4105-3A

Volume 20, No. 2, February, 1987

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The Conference Board



THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

- INDUSTRIAL CONDITIONS CONTINUE TO IMPROVE
- LENDING SOME STRENGTH TO THE LABOR MARKET
- BUT INVENTORY GROWTH IS SLUGGISH
- AND THE HOUSING MARKET HAS WEAKENED
- CONSUMER DEMAND STILL EXPANDING
- EXPORT GROWTH REMAINS MODEST
- OUTLOOK • AFTER A SLUGGISH FIRST QUARTER, ECONOMIC GROWTH OF AT LEAST 3% WILL CONTINUE THROUGH THE REST OF THE YEAR

OVERVIEW: Despite the lackluster growth rate in the fourth quarter of 1986, the economy is firmly into its 5th year of expansion, and may even quicken in pace later this year. The meager growth in the fourth quarter resulted from lower, post-promotion car sales, a slight rise in inventory, and a worsening trade deficit. Yet economic growth in the first quarter will reflect a rise in take-home pay as many workers have not fully adjusted their withholding under the new tax code. All of this shows that special circumstances have to be accounted for in assessing where the economy now stands.

The most positive economic development is the upturn in industrial conditions: orders and output are rising and inventory is likely to be replenished; consumer spending has some strength left; investment is still declining, but that may end later this year; and the trade situation is generally expected to improve. The consensus of the **Economic Forecast** is that, following a 2.5% rise in real GNP in the first quarter, the pace will quicken to a 3½% or 4% annual rate in the next 2 quarters.

DOMESTIC MARKET MONITOR

Improved industrial conditions is lending some support to the labor market. Total employment was 0.7% higher in January than 3 months earlier. A number of these jobs, however, were for people self-employed, household and unpaid family workers. Moreover, the unemployment rate stayed at 6.7% in January. And the consensus of the **Economic Forecasts** is that it will remain around 6.7% in the fourth quarter. Indeed, the measure of labor demand is not rising at the moment.

Total hours worked are rising sharply right now, due to strong gains in construction hours and in new jobs. Construction hours were 2.8% higher in January than 3 months before—reversing earlier declines. Nondurable manufacturing hours were 1.5% higher while durable manufacturing was only 0.5% higher. Total hours in private industry were 1% higher in January than 3 months earlier.

Labor demand is not rising at the moment. The Conference Board's **Help-wanted Index** remained level with the previous year. And early returns to the January survey did not show an increase in ad volume. Employers may be more inclined to schedule more hours, if necessary, than hire more workers.

INCOME: Consumer demand is being fueled by a sharp upturn in spending power. Wages in the commodity-producing industry were 1.1% higher in December than 3 months earlier. These wages actually fell 0.5% from December, 1985, through last July. Wages in other industries were 1.6% higher over the latest 3 months—showing no change in trend.

Nonwage income is again growing faster than wages. Rental income has started to rise sharply but dividend payout has not quickened. Altogether, nonwage income was 2.2% higher in December than 3 months earlier.

Consumer borrowing, except on cars, has been rising rather slowly. And, car loans began to slow in November, and continued through January.

Consumer attitudes are also weakening. The Conference Board's **Consumer Confidence Index** fell to 85.6 (1985 = 100) in January. Only 3 months earlier, it stood at 89.8. Both the appraisal of current conditions and expectations for 6 months hence have declined, after remaining quite steady for more than a year and a half.

SPENDING: Retail sales rose in December and fell in January as consumers took advantage of the switch in the tax code—which chiefly applied to car sales. Durable sales, except on cars and parts, were 1.6% higher in January than 3 months before, and nondurable sales were 1% higher. That also indicates consumer demand is still expanding despite a drop in attitudes and apparent attempts to limit any further rise in indebtedness. There is life left in consumer demand even at this late juncture in a long expansion.

CONSTRUCTION: Housing demand has recovered a bit. New, single-family home sales had been declining for 2 months, but a sharp increase in December brought the

Ken Goldstein, Editor

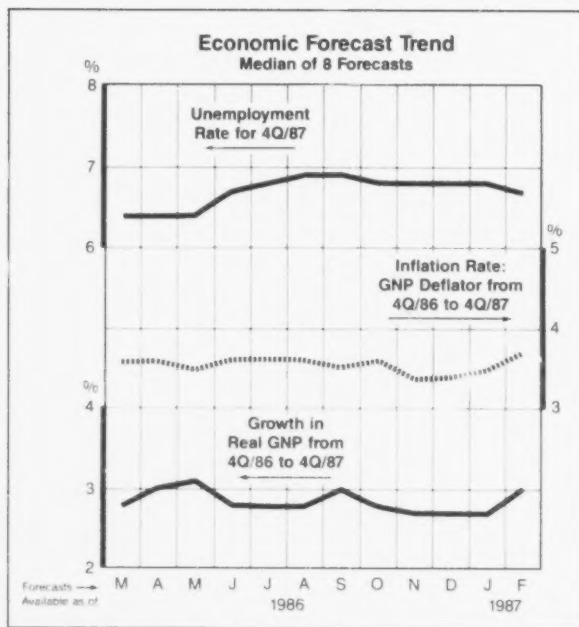
STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.

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selling pace back to where it was in September. Also, the inventory of unsold homes continued to rise modestly.

Despite rising inventory of unsold homes, single-unit starts were 9.7% higher in December than 3 months earlier, and permits were 9.3% higher. Multi-unit starts were 5.5% higher but permits were 34.7% higher. The rising trend in multiple-unit construction may be fueling the gains in construction employment and hours.

Nonresidential construction, after a short-lived recovery this past Autumn, is contracting again. The value of new construction was 3.5% lower, deflated, in December than 3 months earlier.

PRODUCTION: Industrial output rose sharply in November (0.6%) and December (0.5%). Raw-material processing was 1.1% higher in December than 3 months before. Semi-finished goods were 1.6% higher. Finished consumer goods were up 2.2% and business equipment was 15.3% higher—largely due to gains in defense- and space-related output. Even energy production, the weak link in recent months, was rebounding in December. And, given the strong increase in hours worked in January, rising production most likely continued into the new year.

New orders for durable goods were only 1.1% higher in December than 3 months earlier. However, defense orders, which tend to move erratically, have slowed sharply. Except for defense, orders were up 5.5 percent. And, old orders are now being filled slightly slower than the new orders coming in.

INVENTORY: The rise in industrial output has been accompanied by only a modest rise in inventory. Total inventory was 0.1% higher in November than 3 months before. Auto inventory was pared by the earlier rise in car sales. Inventory, except autos at the retail level, was 0.3% higher.

And industrial sales are now rising faster than new inventory, bringing the inventory-to-sales ratios down.

INFLATION: Except for food, raw commodity prices are recovering. The overall index rose 0.9% in January, and raw industrial prices increased 1.5 percent. Food prices declined 1% in January, following a 1.4% drop in December.

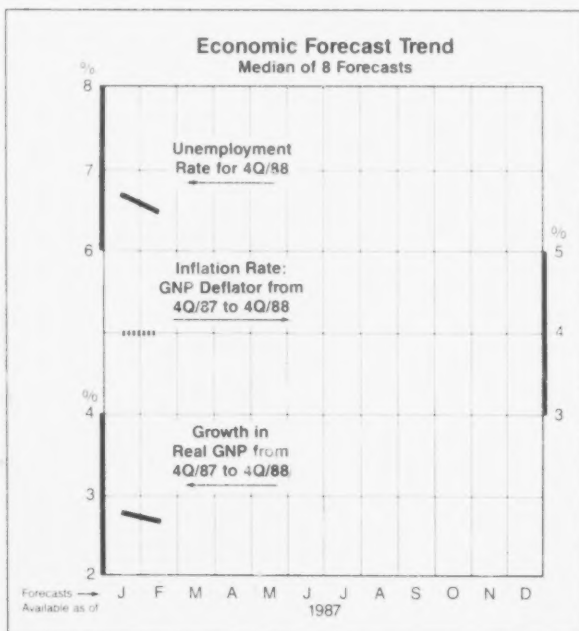
Farm prices are still falling and food prices are declining at the wholesale level. Nonfood, nonenergy prices, however, are rising slowly at the wholesale level.

INTERNATIONAL MONITOR

Despite a big drop in December, imports of nonelectric machinery were 12.4% higher that month than 3 months earlier. Electric machinery was 8% lower. Aircraft was down 15 percent. Transport equipment, except aircraft, was 12% lower—despite increased car shipments from Japan. Total manufactured imports were down 1.9 percent.

Manufactured exports have been rising, due chiefly to shipments of aircraft, which change hands capriciously. Aircraft exports were 22.3% higher in December than 3 months before. Nonelectric machinery was up 10.3 percent. But electric machinery was down 6.1% and transport equipment, except aircraft, was 16.8% lower. Exports to Japan and EEC countries have been rising, but exports to other developed countries have been falling. The lack of stronger economic growth in these countries clearly limits the expansion of exports.

Ken Goldstein
February 12, 1987



STATUS OF LEADING ECONOMIC INDICATORS

		Rising (Classification based on movement of series over several months)	Level	Declining	Change over Latest Three Months	Change from Year-Ago
Leading Economic Indicators	Dec.	X			3.7%	7.2%
Capital Investment Commitments						
* Contracts and orders, plant & equipment (deflated)	Dec.	X			7.1%	4.0%
* New orders, nondefense capital goods (deflated)	Dec.	X			5.5%	3.0%
* New business formation	Dec.			X	-2.4%	2.5%
* Housing permits	Dec.	X			19.2%	3.8%
Inventory Investment and Purchasing						
* New orders, consumer goods & materials (deflated)	Dec.	X			4.1%	7.3%
* Change in inventory, on hand & order (deflated)	Nov.			X	-5.9%	-16.2%
* Purchasing agents' buying policy	Jan.			X	-4.0%	2.0%
* Vendor performance, reported slower deliveries	Jan.		X		1.0%	9.0%
* Industrial raw materials prices	Jan.	X			7.4%	6.3%
* Change in sensitive material prices	Dec.	X			2.4%	2.0%
Sensitive Financial Flows						
* Money balance (M2 deflated)	Dec.	X			1.6%	8.1%
* Change in business loans	Dec.	X			110.5%	55.7%
* Change in credit outstanding	Dec.	X			11.1%	3.7%
* Change in consumer installment debt	Dec.			X	-91.4%	-76.5%
Profitability						
* Total corporate profits, after tax (deflated)	3rd Q	X			5.1%	-0.5%
* Common stock prices	Jan.	X			11.4%	27.1%
Marginal Employment Adjustments						
* Average workweek, mfg	Jan.	X			0.2hr	0.1hr
* Initial unemployment claims (inverted)	Dec.		X		3.5%	9.0%

Note For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators* (Washington, D.C.: Government Printing Office) June, 1977.

* These twelve series make up the Composite Leading Index charted below.



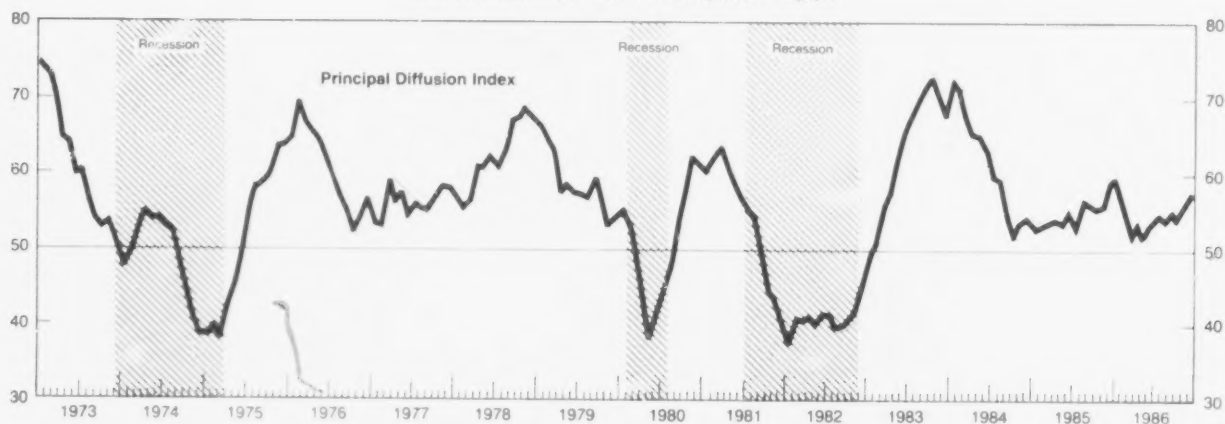
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1985	1986			
	Dec.	Sep.	Oct.	Nov.	Dec.(e)
Principal Diffusion Index	58.5	54.7r	54.0r	56.0r	57.6
Auxiliary Diffusion Index	58.3	54.4r	47.7r	56.7r	55.2
Industrial Group	59.4	49.9r	52.8r	58.0r	59.0
Nonindustrial Group	57.6	59.4	55.1	54.0r	56.3
Sense of Diffusion	1	0	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	65.2	62.8	67.9	67.9r	73.5
Labor	62.7	46.8r	51.8r	58.3r	56.7
Miscellaneous	42.3	38.5	32.7	42.3	42.9
Nonindustrial Subgroups					
Prices	54.5	64.1	61.5	66.7	71.8
Consumer	67.9	75.2	69.7	64.1r	64.1
Building	50.0	43.3	36.5	38.1	39.7
Miscellaneous	54.3	51.3	48.7	46.2r	49.1

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1984				1985				1986		
	Feb.	May	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	Nov.
Score (scale 0-100)											
Measure of Business Confidence	70	65	61	57	61	52	51	55	61	61	50
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	76	75	70	57	62	48	45	53	63	61	44
2. Expectations for Economy, Six Months Ahead	67	60	57	57	61	53	53	56	62	62	52
3. Expectations for Own Industry, Six Months Ahead	67	61	57	58	61	55	54	56	59	60	54

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

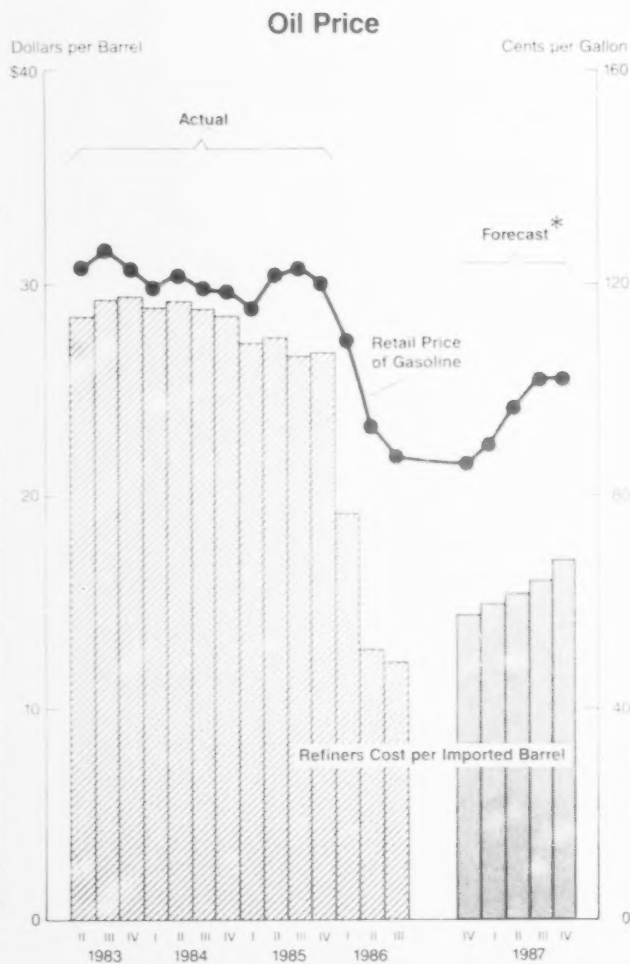
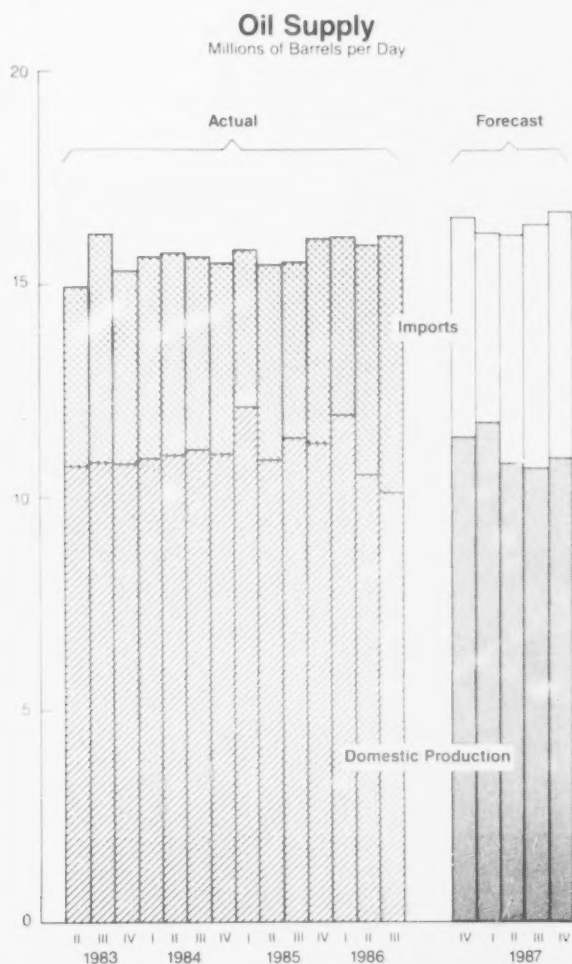
Billions of Dollars, Seasonally Adjusted

	1985				1986			Percent Change From Previous Year	
	I	II	III	IV	I	IIr	IIIp	Actual	Estimate
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	29 938	27 560	24 167	27 190	23 386	19 991	20 208	- 8	- 6
Capital expenditures	23 354	24 911	24 730	26 336	23 566	24 309	22 902	10	- 2
Change in appropriations backlog*	+ 4 984	+ 0 529	-2 702	-2 594	-2 368	-6 447	-4 644		
Durable Goods									
New appropriations	16 737	10 910	12 031	12 005	11 613	9 578	10 322	-13	9
Capital expenditures	11 648	12 814	12 299	12 676	11 479	11 880	12 567	15	5
Change in appropriations backlog*	+ 4 154	+ 2 515	-1 094	-3 063	-1 582	-3 824	-3 450		
Nondurable Goods									
New appropriations	13 201	16 650	12 136	15 185	11 773	10 413	9 886	- 2	-20
Capital expenditures	11 706	12 097	12 431	13 660	12 087	12 429	10 335	6	- 9
Change in appropriations backlog*	+ 0 830	+ 3 044	-1 608	+ 0 469	-0 786	-2 623	-1 194		
ELECTRIC & GAS UTILITIES									
New appropriations	9 370r	15 139r	5 093r	8 692r	9 084	5 094	5 044	- 3	
Capital expenditures	9 078r	9 366r	3 078r	8 417r	7 425	8 115	7 839	-2 0	
Change in appropriations backlog*	+ 0 363r	+ 4 662r	-4 984r	-0 261r	- 1 773	-7 325	-0 028		

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

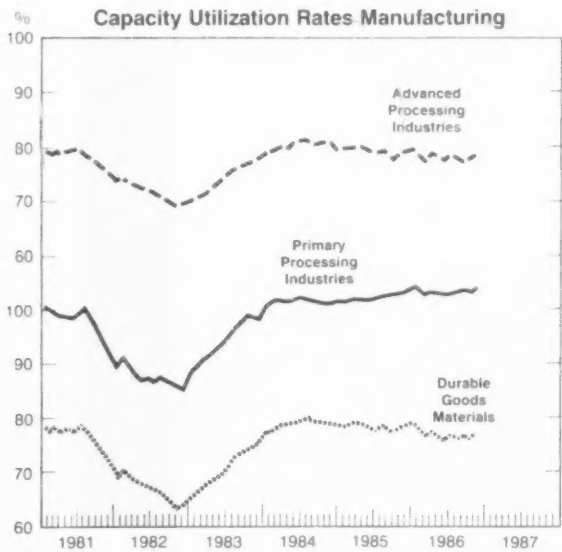
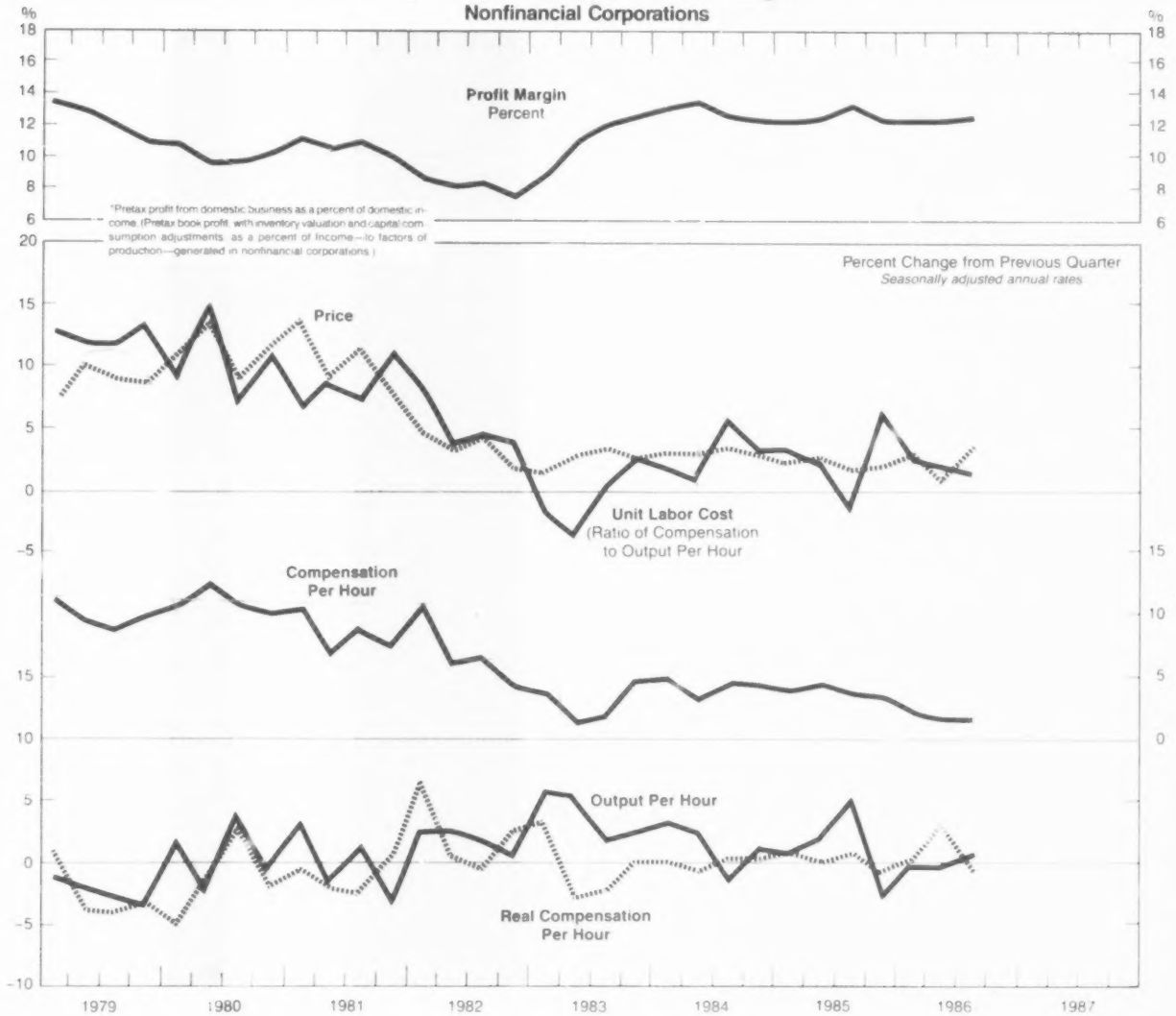
r—revised p—preliminary

* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments)



* Source of Forecast is The Energy Information Administration, Department of Energy.

Key Determinants of Profit Margin Nonfinancial Corporations



ECONOMIC FORECASTS

U.C.L.A. ²									
Business Forecasting Project				Merrill Lynch ² Economics Inc.		E.I. duPont ² de Nemours & Co.		Georgia State University ²	
Date of Forecast		Jan., 1987		Jan., 1987		Jan., 1987		Jan., 1987	
		Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change
Gross National Product Billions of Current Dollars									
Actual	1986 IV	\$4268.4	2.6%	\$4268.4	2.6%	\$4268.4	2.6%	\$4268.4	2.6%
	1987 I	4335.1	6.4	4312.3	4.2	4342.0	7.1	4332.5	6.1
	II	4411.5	7.2	4371.3	5.6	4428.8	8.2	4398.4	6.2
	III	4499.9	8.3	4445.3	6.9	4525.3	9.0	4459.4	5.7
	IV	4584.7	7.8	4527.5	7.6	4624.1	9.0	4525.7	6.1
	1988 I	4681.9	8.8	4615.7	8.0	4700.1	6.7	4602.1	6.9
	II	4770.5	7.8	4700.6	7.6	4779.7	6.9	4688.8	7.8
	III	4847.7	6.6	4788.8	7.7	4848.8	5.9	4790.0	8.9
	IV	4924.2	6.5	4882.7	8.1	4918.4	5.9	4875.9	7.4
	1989 I	5004.7	6.7						
Actual	1986 Annual	4208.5	5.3	4208.5	5.3	4208.5	5.3	4208.5	5.3
	1987 Annual	4457.5	5.9	4414.1	4.9	4480.1	6.5	4429.0	5.2
	1988 Annual	4806.1	7.8	4747.0	7.5	4811.8	7.4	4739.2	7.0
Gross National Product Billions of Constant (1982) Dollars									
Actual	1986 IV	\$3702.4	1.7%	\$3702.4	1.7%	\$3702.4	1.7%	\$3702.4	1.7%
	1987 I	3737.8	3.9	3716.7	1.6	3727.0	2.7	3725.3	2.5
	II	3773.7	3.9	3714.0	-3	3766.0	4.3	3746.5	2.3
	III	3817.9	4.8	3759.9	5.0	3806.0	4.3	3763.2	1.8
	IV	3861.6	4.7	3792.2	3.5	3847.0	4.4	3780.9	1.9
	1988 I	3907.2	4.8	3820.0	3.0	3878.0	3.3	3803.4	2.4
	II	3943.8	3.8	3845.2	2.7	3905.0	2.8	3830.7	2.9
	III	3966.4	2.3	3871.0	2.7	3923.0	1.9	3862.9	3.4
	IV	3991.9	2.6	3901.1	3.1	3941.0	1.8	3882.1	2.0
	1989 I	4013.7	2.2						
Actual	1986 Annual	3676.5	2.5	3676.5	2.5	3676.5	2.5	3676.5	2.5
	1987 Annual	3797.8	3.3	3745.7	1.9	3786.5	3.0	3754.0	2.1
	1988 Annual	3952.3	4.1	3859.3	3.0	3911.8	3.3	3844.8	2.4
Gross National Product deflator Index, 1982 = 100									
Actual	1986 IV	115.3	.9%	115.3	.9%	115.3	.9%	115.3	.9%
	1987 I	116.0	2.4	116.0	2.6	116.5	4.3	116.3	3.6
	II	116.9	3.2	117.7	5.9	117.6	3.8	117.4	3.8
	III	117.9	3.3	118.2	1.8	118.9	4.5	118.5	3.8
	IV	118.7	3.0	119.4	4.0	120.2	4.4	119.7	4.1
	1988 I	119.8	3.8	120.8	4.9	121.2	3.4	121.0	4.4
	II	121.0	3.8	122.2	4.8	122.4	4.0	122.4	4.7
	III	122.2	4.2	123.7	4.9	123.6	4.0	124.0	5.3
	IV	123.4	3.8	125.2	4.8	124.8	3.9	125.6	5.3
	1989 I	124.7	4.4						
Actual	1986 Annual	114.5	2.6	114.5	2.6	114.5	2.6	114.5	2.6
	1987 Annual	117.4	2.5	117.8	2.9	118.3	3.4	118.0	3.1
	1988 Annual	121.6	3.6	123.0	4.4	123.0	4.0	123.2	4.5
Unemployment Rate									
Actual	1986 IV		6.8%		6.8%		6.8%		6.8%
	1987 I		6.8		6.8		6.9		6.7
	II		6.7		6.8		6.8		6.6
	III		6.5		6.8		6.8		6.6
	IV		6.3		6.7		6.7		6.7
	1988 I		6.1		6.7		6.8		6.7
	II		5.9		6.6		6.8		6.5
	III		5.8		6.6		6.9		6.4
	IV		5.7		6.5		6.9		6.4
	1989 I		5.7						
Actual	1986 Annual		7.0		7.0		7.0		7.0
	1987 Annual		6.6		6.8		6.8		6.7
	1988 Annual		5.9		6.6		6.9		6.5

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

¹Based on revised (second revision) third quarter data.

²Based on preliminary fourth quarter data.

ECONOMIC FORECASTS (continued)

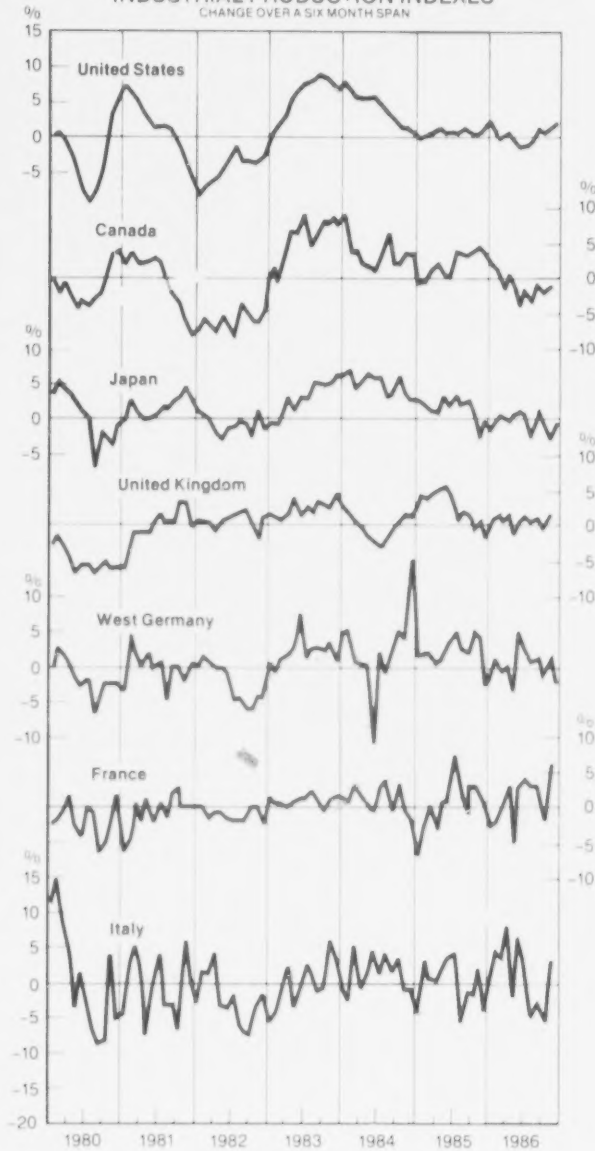
The Conference Board ¹		Chase Econometric ² Associates, Inc.		Data Resources Inc. ³		Wharton E.F.A. Inc. ³		Date of Forecast		
Dec., 1986		Jan., 1987		Jan., 1987		Jan., 1987				
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
Gross National Product Billions of Current Dollars										
		\$4268.4	2.6%	\$4268.4	2.6%	\$4268.6	2.6%	IV	1986	Actual
\$4348.0	4.7%	4324.4	5.4	4321.3	5.1	4335.2	6.4	I	1987	
4410.0	5.8	4385.5	5.8	4389.5	6.5	4412.9	7.4	II		
4487.0	7.2	4452.6	6.3	4466.5	7.2	4498.1	7.9	III		
4573.0	7.9	4517.8	6.0	4533.0	6.1	4589.6	8.4	IV		
4664.0	8.2	4580.8	5.7	4619.0	7.8	4685.5	8.6	I	1988	
4749.0	7.5	4649.4	6.1	4696.8	6.9	4776.3	8.0	II		
4800.0	4.4	4721.9	6.4	4760.9	5.6	4863.2	7.5	III		
4858.0	4.9	4800.5	6.8	4824.5	5.5	4947.9	7.2	IV		
		4880.3	6.8	4892.8	5.8	5033.4	7.1	I	1989	
		4208.5	5.3	4208.5	5.3	4208.5	5.3	Annual	1986	Actual
4454.5	5.7	4420.1	5.0	4427.6	5.2	4459.0	6.0	Annual	1987	
4767.8	7.0	4688.2	6.1	4725.3	6.7	4818.2	8.1	Annual	1988	
Gross National Product Billions of Constant (1982) Dollars										
		\$3702.4	1.7%	\$3702.4	1.7%	\$3702.4	1.7%	IV	1986	Actual
\$3719.5	1.2%	3721.7	2.1	3725.2	2.5	3730.3	3.0	I	1987	
3740.7	2.3	3748.8	2.9	3756.9	3.4	3761.3	3.4	II		
3767.5	2.9	3773.7	2.7	3792.8	3.9	3795.7	3.7	III		
3798.2	3.3	3800.6	2.9	3824.2	3.4	3831.9	3.9	IV		
3829.2	3.3	3823.1	2.4	3862.9	4.1	3871.7	4.2	I	1988	
3854.7	2.7	3843.9	2.2	3892.3	3.1	3905.1	3.5	II		
3861.6	.7	3868.5	2.6	3908.5	1.7	3932.9	2.9	III		
3874.1	1.3	3895.9	2.9	3928.3	2.0	3956.3	2.4	IV		
		3921.5	2.7	3945.0	1.7	3975.9	2.0	I	1989	
		3676.5	2.5	3676.5	2.5	3676.5	2.5	Annual	1986	Actual
3756.5	2.1	3761.2	2.3	3774.8	2.7	3779.8	2.8	Annual	1987	
3854.9	2.6	3857.9	2.6	3898.0	3.3	3916.5	3.6	Annual	1988	
Gross National Product deflator Index, 1982 = 100										
		115.3	.9%	115.3	.9%	115.3	.9%	IV	1986	Actual
116.9	3.5%	116.2	3.2	116.0	2.5	116.2	3.3	I	1987	
117.9	3.4	117.0	2.7	116.8	2.9	117.3	3.9	II		
119.1	4.2	118.0	3.5	117.8	3.2	118.5	4.1	III		
120.4	4.4	118.9	3.0	118.5	2.6	119.8	4.4	IV		
121.8	4.7	119.8	3.2	119.6	3.6	121.0	4.2	I	1988	
123.2	4.7	121.0	3.8	120.7	3.7	122.3	4.3	II		
124.3	3.6	122.1	3.7	121.8	3.8	123.7	4.5	III		
125.4	3.6	123.2	3.9	122.8	3.3	125.1	4.6	IV		
		124.4	4.1	124.0	4.0	126.6	5.0	I	1989	
		114.5	2.6	114.5	2.6	114.5	2.6	Annual	1986	Actual
118.6	3.4	117.5	2.7	117.3	2.5	118.0	3.0	Annual	1987	
123.7	4.3	121.5	3.4	121.2	3.4	123.0	4.3	Annual	1988	
Unemployment Rate										
			6.8%		6.8%		6.8%	IV	1986	Actual
7.2%		6.9		6.8		6.8		I	1987	
7.3		6.9		6.8		6.8		II		
7.3		6.9		6.7		6.7		III		
7.1		6.9		6.6		6.6		IV		
6.9		6.9		6.4		6.4		I	1988	
6.9		6.9		6.3		6.3		IV		
7.3		6.9		6.2		6.2		III		
7.4		6.8		6.2		6.2		IV		
		6.8		6.2		6.2		I	1989	
7.0		7.0		7.0		7.0		Annual	1986	Actual
7.2		6.9		6.7		6.7		Annual	1987	
7.1		6.9		6.3		6.3		Annual	1988	

Please Note: In the interest of speeding the data contained in this publication to you, these series are available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

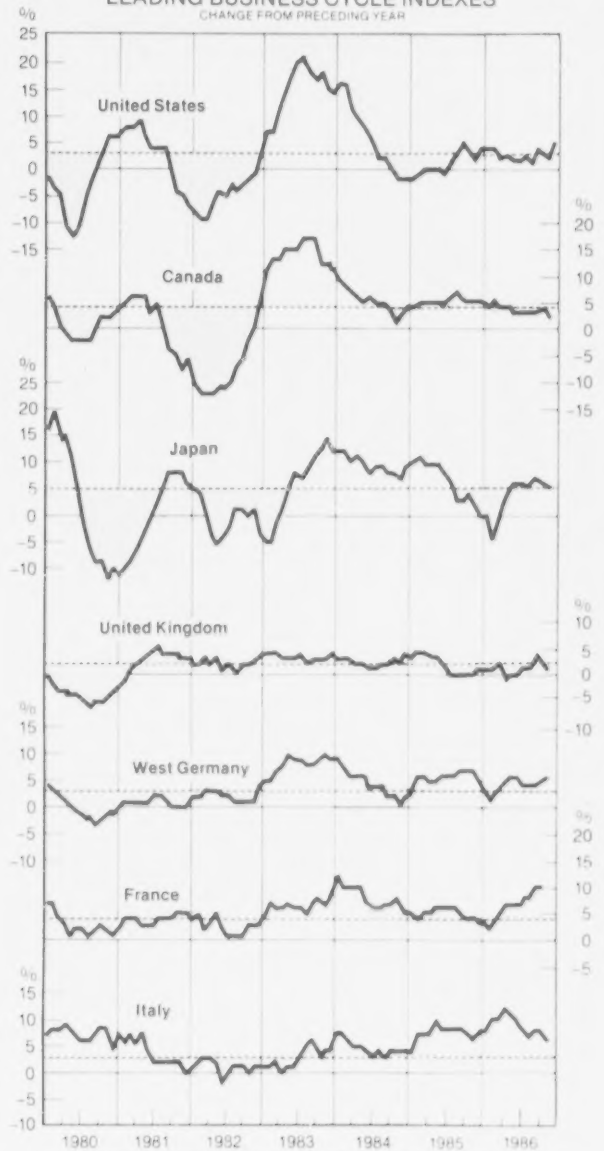
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR



Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

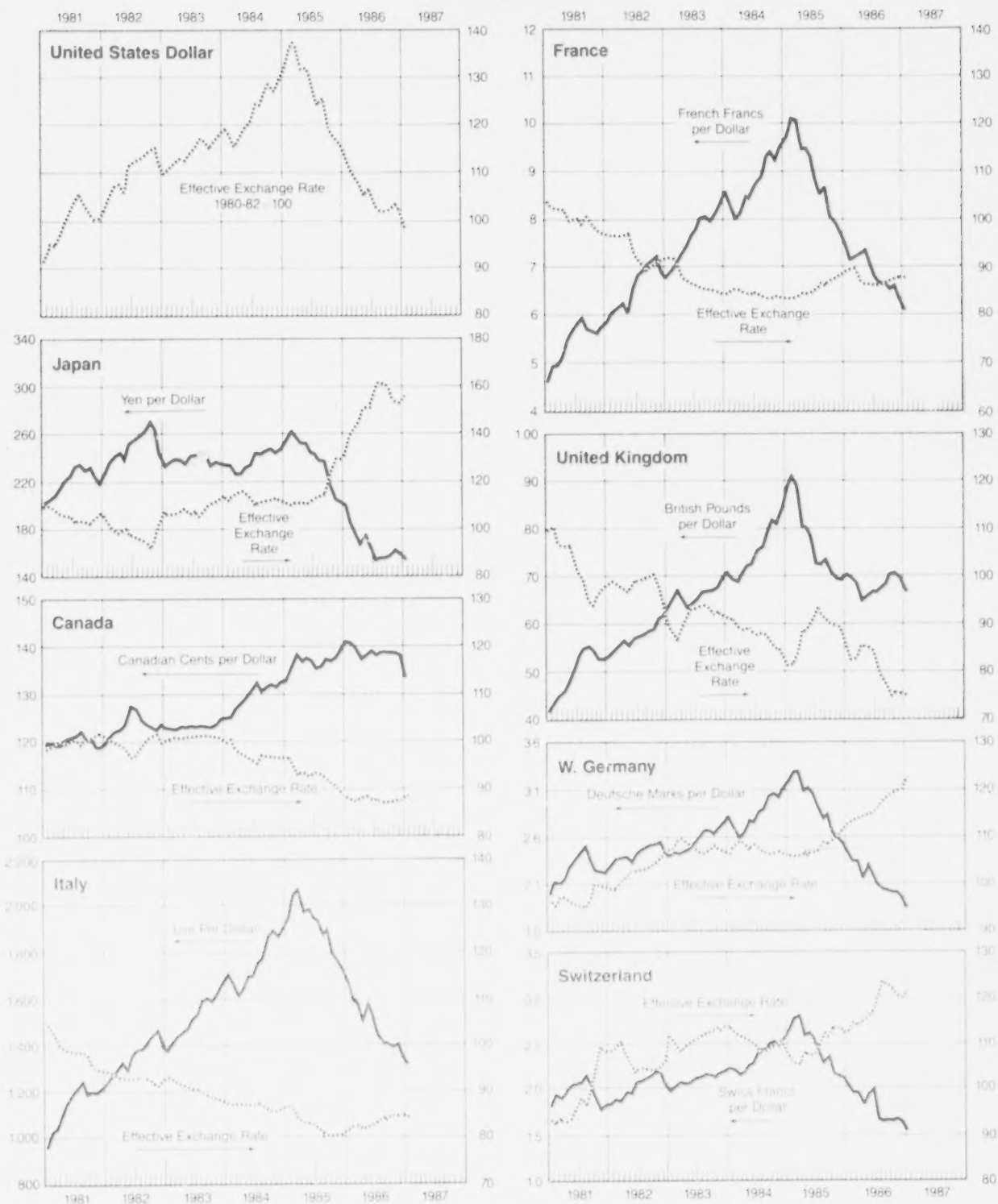


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates index numbers: 1980-82 = 100. Each line shows a currency's trade-weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

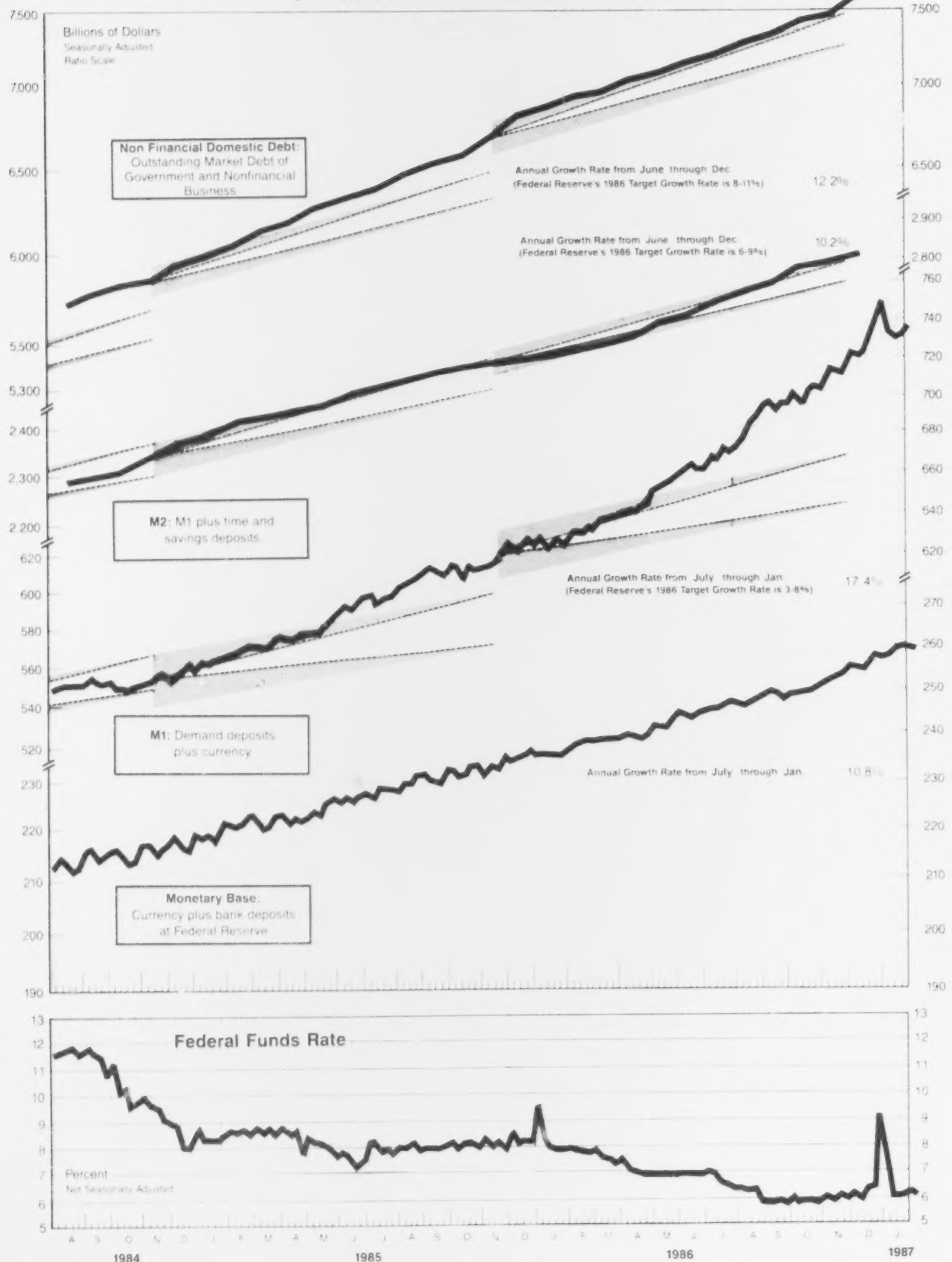
PERSPECTIVE ON THE FEDERAL BUDGET (Billions of Current Dollars)

	Fiscal 1986	Fiscal 1987		Fiscal 1988
	Actual	Administration's Latest Estimate (1/5/87)	Congress's Latest Estimate (8/4/86)	Administration's Latest Estimate (1/5/87)
Receipts	\$769.1	\$842.4	\$852.4	\$ 916.6
Outlays	989.8	1,015.6	995.0	1,024.3
Deficit	-220.7	-173.2	-142.6	-107.8
Receipts by source	\$769.1	\$842.4	\$852.4	\$ 916.6
Individual income	349.0	364.0		392.8
Social security	283.9	301.5		333.2
Corporate income	63.1	104.8		117.2
Other receipts	73.1	72.1		73.4
Outlays by function	\$989.8	\$1,015.6	\$995.0	\$1,024.3
National defense	273.4	282.2	279.2	297.6
Social security	269.0	279.5	282.7	292.4
Income security	119.8	124.9	121.8	124.8
Health	35.9	39.7	38.3	38.9
Education & manpower	29.7	29.8	30.6	28.4
Veterans benefits	26.4	26.7	26.6	27.2
Transportation	28.1	27.0	25.9	25.5
Agriculture	31.4	31.1	23.5	26.3
International affairs	14.2	14.6	14.0	15.2
Natural resources	13.6	13.9	12.6	14.2
General science	9.0	9.5	8.9	11.4
Justice	6.6	8.3	7.2	9.2
General government	6.1	6.6	5.5	7.5
Community development	7.5	6.2	7.0	5.5
Commerce, Housing credit	4.4	9.3	2.1	2.5
Energy	4.7	3.8	3.5	3.3
Revenue sharing	6.4	1.9	2.8	1.5
Interest	136.0	137.5	143.7	139.0
Allowances	0.0	0.0	0.1	0.8
Offsetting receipts	- 33.0	- 37.1	- 40.3	- 45.4

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP				
Current Dollar	\$4,218.0	\$4,493.0	\$4,504.0	\$4,836.0
Constant (1982) Dollar	3,681.0	3,794.0	3,810.0	3,928.0
Percent change in				
Current dollar	5.5%	6.5%	6.8%	7.2%
Constant (1982) dollar	2.7	3.1	3.4	3.5%
Implicit price index	2.8	3.3	3.3	3.5
Consumer price index	1.6	3.0	3.3	3.6
91-Day T bill rate	6.0	5.4	6.4	5.6
Unemployment rate	6.9	6.7	6.7	6.3

Money Supply and Monetary Growth Targets



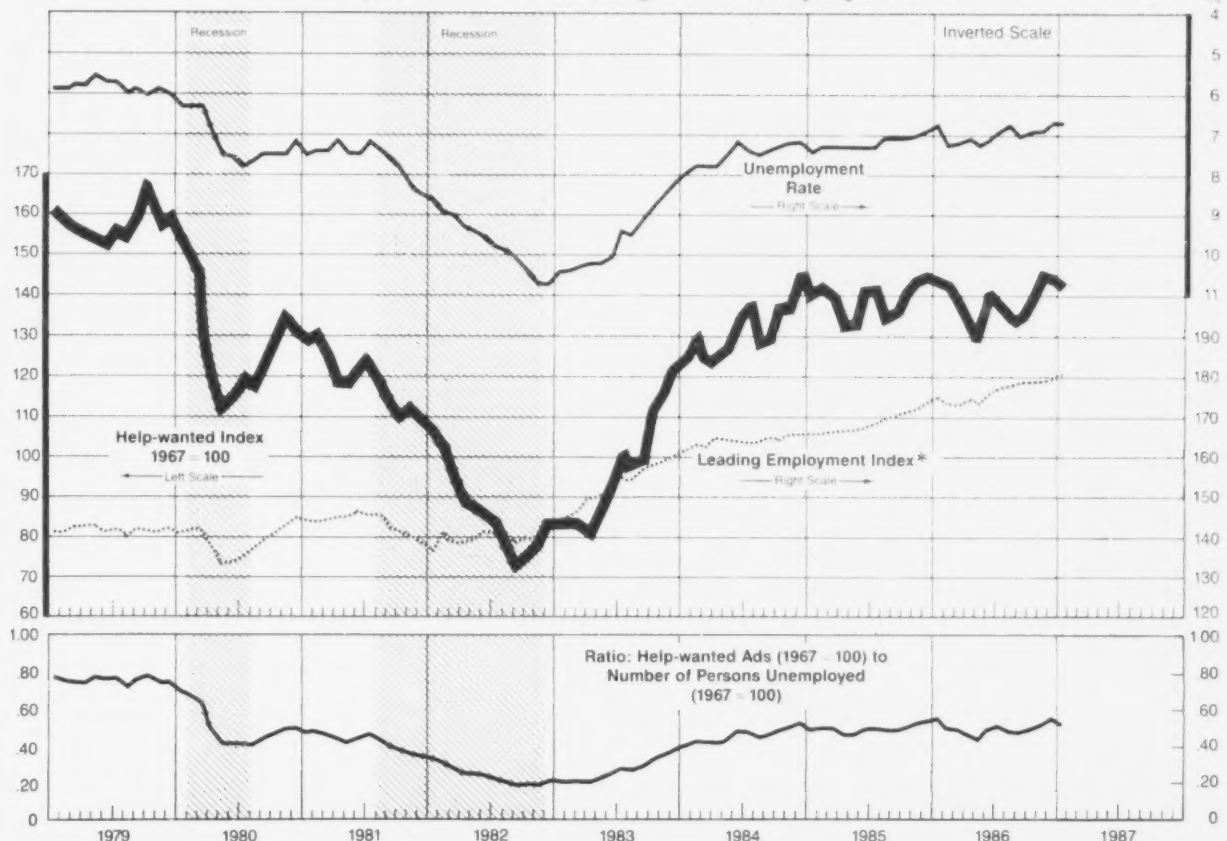
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

Locality	1986			1985			1986			1985		
	Dec.	Nov.	Oct.	Dec.	Nov.	Oct.	Dec.	Nov.	Oct.	Dec.	Nov.	Oct.
National Index	145	147r	141	145r								
New England	168	179r	171	157r								
Boston	164	184r	175	159								
Hartford	187	182	183	171r								
Providence	163	161	149	136								
Middle Atlantic	82	85	82	74								
Albany	175	190	286	162								
Allentown	338	306	282	209								
New York	58	64	58	53								
Philadelphia	75	78	71	73								
Pittsburgh	91	87	79	88								
Rochester	94	90	81	96								
Syracuse	145	150	144	122								
East North Central	105	99	93	96								
Chicago	121	109	105	104								
Cincinnati	185	151	144	133								
Cleveland	65	65	59	65								
Columbus	172	177	163	161								
Dayton	79	84	76	90								
Detroit	58	62	57	72								
Gary	150	139	118	117								
Indianapolis	117	117	100	102								
Milwaukee	68	67	65	62								
Toledo	127	128	115	128								
West North Central	98	107	95	90								
Kansas City	181	187	165	141								
Minneapolis	79	88	79	79								
Omaha	116	129	122	109								
St. Louis	62	71	63	67								
South Atlantic	202	206	197	194								
Atlanta	263	281	270	289								
Baltimore	254	233	231	223								
Charlotte	171	175	173	149								
Jacksonville	233	237	221	230								
Miami	89	101	103	76								
Richmond	147	137	131	128								
Washington, D.C.	196	208r	190	190								
East South Central	152	147	150	155r								
Birmingham	164	164	158	179r								
Knoxville	233	213	227	204								
Louisville	92	89	83	102								
Memphis	120	119	94	114								
Nashville	201	191	236	211								
West South Central	165	161	152	253								
Dallas	173	165	161	421								
Houston	218	216	202	273								
New Orleans	108	107	99	108								
Oklahoma City	106	100	89	125								
San Antonio	137	142	141	165								
Tulsa	133	121	102	157								
Mountain	297	297	281	323								
Denver	194	180	175	205								
Phoenix	405	447	419	463								
Salt Lake City	346	313	292	354								
Pacific	217	226	221	201								
Los Angeles	148	158	147	148								
Sacramento	419	434	393	376								
San Bernardino	263	268	271	231								
San Diego	531	496	569	461								
San Francisco	214	235	224	191								
Seattle	205	219	213	189								
Percentage of papers with rising volume	45	86	78	65								
Unemployment rate	6.7	6.9	6.9	7.0								

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N A—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

REVISED

Consumer Confidence Index

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1984	105.0	102.0	102.9	103.8	102.0	103.7	98.5	101.6	102.4	101.7	106.1	98.7
1985	103.0	104.0	98.0	101.0	96.6	100.0	101.2	99.6	98.9	99.3	98.7	99.8
1986	97.6	97.3	97.6	95.4	97.9	97.1	95.7	91.1	91.2	89.8	89.8	93.6
1987	85.6p											

Buying Plans Index

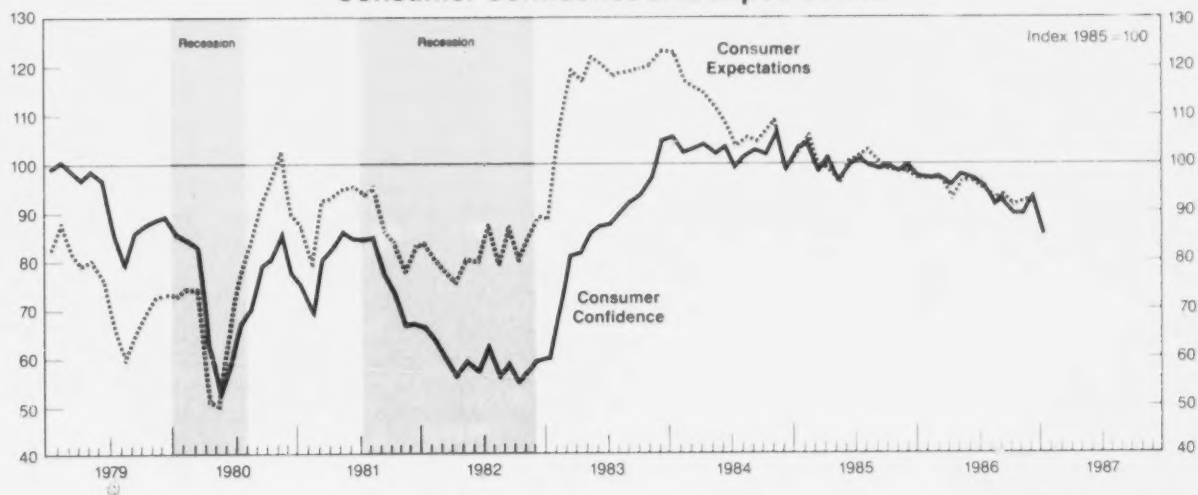
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	104.5	104.4	103.1	124.7	109.0	111.3	107.2	108.2	105.3	98.8	93.0	103.6
1987	96.5p											

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

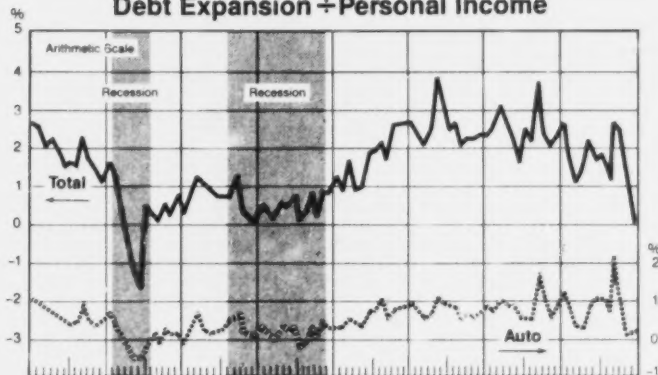
p—preliminary

Consumer Confidence and Expectations

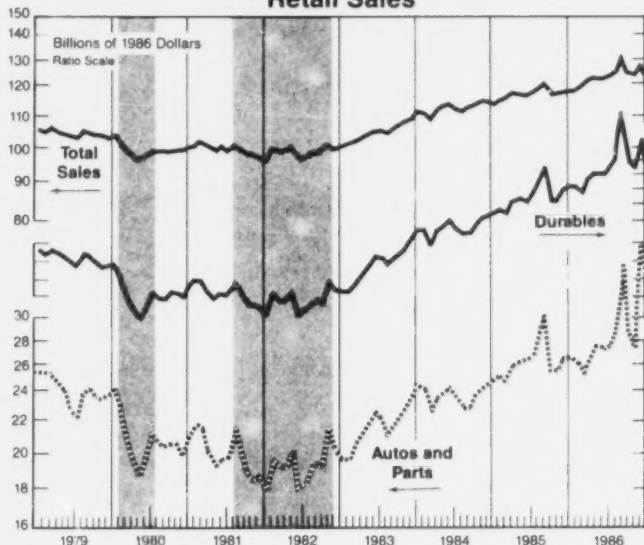


ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes. For more information, contact Linette Waters at (212) 759-0900.

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



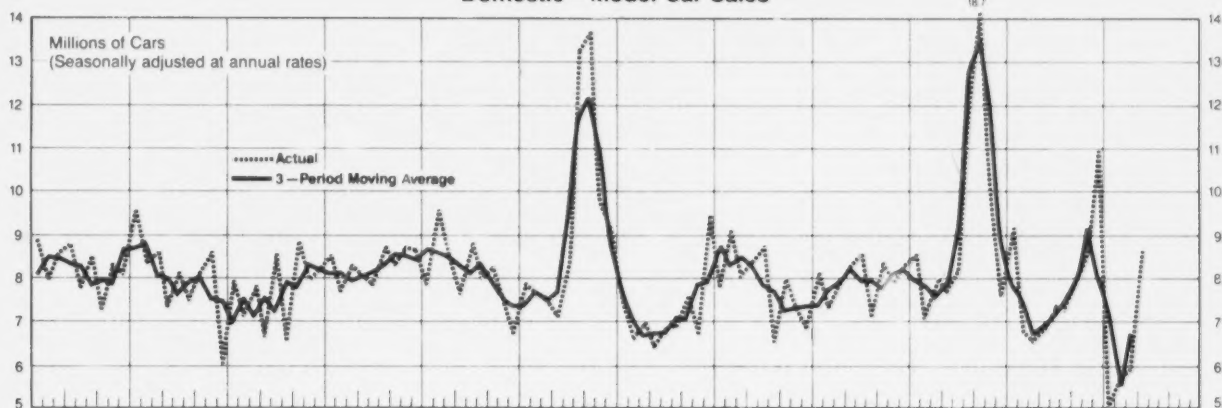
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

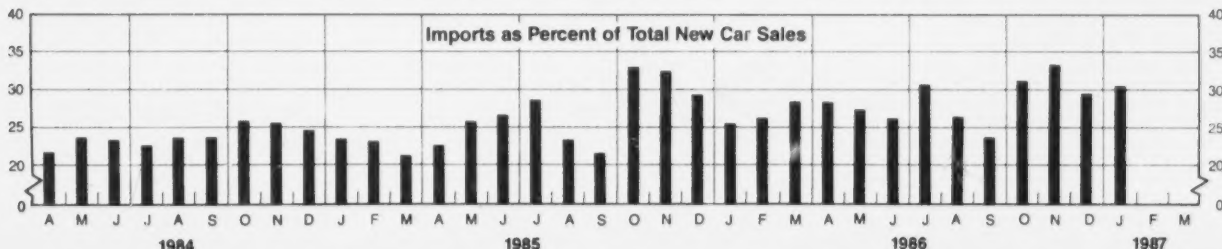
Periods	1984	1985	1986	1987
January:				
1-10	8.16	8.46	7.76	4.78
11-20	7.84	7.66	9.05	5.71
21-31	9.15	8.23	8.02	5.95
February:				
1-10	7.79	8.01	8.36	8.26
11-20	9.17	7.84	8.71	
21-28(29)	7.60	8.69	6.47	
March:				
1-10	7.35	8.27	7.93	
11-20	8.13	8.73	7.23	
21-31	7.35	8.67	6.81	
April:				
1-10	8.88	7.84	8.06	
11-20	7.96	9.48	7.25	
21-30	8.60	8.42	7.92	
May:				
1-10	8.19	7.60	8.30	
11-20	7.74	8.78	8.57	
21-31	8.43	7.96	7.09	
June:				
1-10	7.22	8.21	8.27	
11-20	8.25	7.51	7.84	
21-30	8.10	6.71	8.30	
July:				
1-10	9.51	7.81	8.50	
11-20	8.32	7.63	7.03	
21-31	8.59	7.57	7.96	
August:				
1-10	7.33	7.09	7.64	
11-20	8.07	8.30	8.19	
21-31	7.43	13.23	11.65	
September:				
1-10	8.13	13.64	18.67	
11-20	8.52	9.70	9.87	
21-30	6.03	9.10	7.58	
October:				
1-10	7.83	7.40	9.07	
11-20	7.07	6.57	6.72	
21-31	7.70	6.92	6.51	
November:				
1-10	6.60	6.40	6.80	
11-20	8.44	6.81	7.32	
21-30	6.57	6.91	7.23	
December:				
1-10	8.75	7.56	7.95	
11-20	7.96	6.69	8.54	
21-31	8.19	9.31	10.93	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales



Imports as Percent of Total New Car Sales



171790000001 0000 000
Statistical Reference Index
Acquisitions
452C East West Highway - Suite 800
Bethesda, MD 20814

STATISTICAL BULLETIN

Volume 20, No. 3, March, 1987

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The Conference Board



4/15/87 R4105-3A

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

- INDUSTRIAL CONDITIONS STILL IMPROVING
- WITHOUT ANY INVENTORY BUILDUP
- BUT NEW ORDERS FELL SHARPLY
- HOME & CAR SALES ARE OFF
- BUT ELSEWHERE CONSUMER DEMAND IS STILL EXPANDING
- IMPORT GROWTH HAS SLOWED BUT EXPORTS ARE SHARPLY LOWER
- OUTLOOK • 3% GROWTH IN THE FIRST QUARTER, AND MORE OF THE SAME IN THE SECOND & THIRD QUARTERS

OVERVIEW: Economic prospects have brightened a bit over the last few weeks. Two months ago, the consensus was that the economy would be sluggish in the first quarter of 1987, quicken to a more moderate pace in the second quarter and remain at that pace through the second half of the year. Moreover, the dollar, which had been sliding for the past year, dropped sharply in January and fell lower in February. That weakened the dollar volume of exports and helped worsen the trade deficit.

But these forecasts have now been revised upward. Among other factors contributing to this new outlook, the influence of change in sales-tax treatment on buying now seems to have been overstated. In addition, the improvement in industrial conditions has continued through February. As yet, this rise in output has not led to any inventory buildup. And while employment gains remain meager, the rise in hours worked in January and February was impressive. As a result, the **Economic Forecasts** now call for 3% growth in real GNP, annual rate, in the first quarter, compared to a forecast of only 2½% a month ago.

DOMESTIC MARKET MONITOR

Labor market conditions show some improvement. Although the national unemployment rate was 6.7% in February, for the third straight month, the rate for construction workers fell from 12.2% in January to 11.6%, and from 4.8% in January to 4% for utility and communication workers. The end of the steel strike contributed, in part, to a 0.3% rise in manufacturing jobs. Still, the ratio of working adults to all adults was 62.6% in February, compared with 62.2% in the Summer and Fall months.

The **workweek** in private industry lengthened significantly in the last 2 months, and together with recent job gains, led to a very substantial 2% rise in total hours worked.

Still, labor demand remains very steady, but may pick up a bit. The Conference Board's **Help-wanted Index** was no higher in January than a year ago. But early returns to the February survey indicate that this measure of labor demand may have improved slightly. Nevertheless, the con-

sensus of the **Economic Forecasts** is that the national unemployment rate will remain at its current 6.7% through the fourth quarter of 1987.

INCOME: The sustained pace of consumer buying continues to be mirrored by steady wage gains. Wages in commodity-producing industry were flat until October, when once-a-year adjustments resulted in a 1.1% rise. Since then, wage growth has been flat. Wages in other industries continue to rise by about 0.5% per month.

Nonwage income growth remains subdued. Shopkeepers' income and dividends are growing strongly. But rents have started to decline while interest income continues to fall.

Consumer borrowing has been fairly subdued for months. But it slowed sharply in January and December, for both auto and other types of loans. Moreover, the relatively slow pace of car sales in February suggests that loan demand remained weak.

Consumer attitudes weakened this past Summer and have not changed much since then. The Conference Board's **Consumer Confidence Index** was at the same level in February as in August and September. But expectations about economic conditions six months hence and buying intentions are lower.

SPENDING: The January decline in retail sales wasn't that significant. Nondurable sales were actually 1% higher in January than 3 months earlier. Durable sales, except autos, were 1.6% higher: Sales of furniture and appliances were 1.2% higher, but flat in hardware and building supplies.

Both **domestic** and **foreign** car sales were abnormally high in December and unusually low in January and February—due, perhaps, to the loss of sales-tax deductibility. New domestic **Automobile Sales** hit a seasonally-adjusted 9.1 million annual rate in December, slumped to 5.5 million in January and recovered to only 7.2 million. Foreign models dropped from a rate of about 3-4 million to only 2½ million in January and February.

Ken Goldstein, Editor

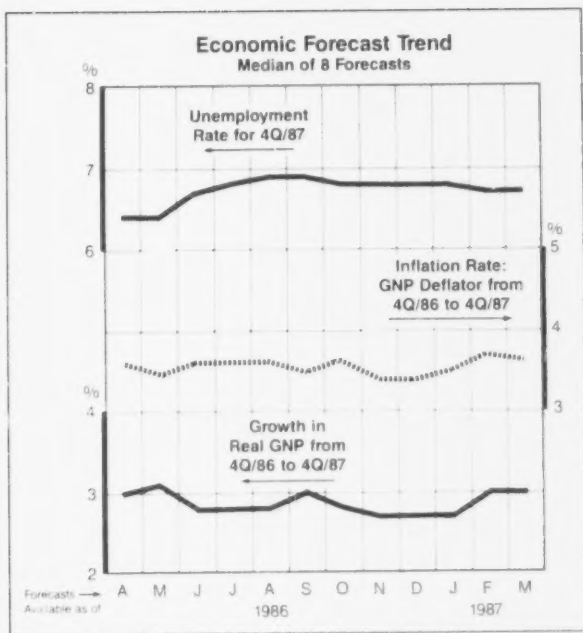
STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.

© 1987 The Conference Board, Inc.
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New York, New York 10022

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CONSTRUCTION: In January, after declining for 2 months, single-unit home sales rose to their level in September. Single-unit starts rose sharply in December and edged higher in January. Multi-unit starts were 1.5% higher in January than 3 months earlier.

Nonresidential construction is still declining. The value of new construction was 3.5% lower, deflated, in December than 3 months earlier. Activity in industrial, commercial and office construction—including public buildings—is declining.

PRODUCTION: Industrial output rose 0.4% in January, about the pace of the prior 3 months. Output of raw material was 1% higher in January than 3 months earlier. Output of semi-finished goods was 2.4% higher. Defense- and space-related output was 1.1% higher while finished consumer goods rose by 2.5 percent. But business equipment was flat. February's rise in hours worked indicates that industrial production continued to expand.

A steady pick-up in new orders fueled the rise in output. But total new durable orders fell 6.7% in January—absorbing the gains from the prior 3 months. Defense orders actually rose in January, while orders for material and finished products declined. Perhaps new orders suffered the same fate as car sales, for much the same reason.

INVENTORY: Already lean inventory actually became leaner despite rising output. Inventory, except cars at the retail level, was 0.4% lower in December than 3 months earlier. Nondurable inventory and sales were up. Durable inventory dropped while sales rose. The Inventory-to-Sales ratios, then, have declined in recent months.

INFLATION: After recovering for 5 months, commodity prices fell in February. Raw industrial prices fell 2.2% while

metal prices declined 1.7 percent. Farm prices, with one exception, are still flat to declining. Calf prices were 13% higher in February than 3 months ago.

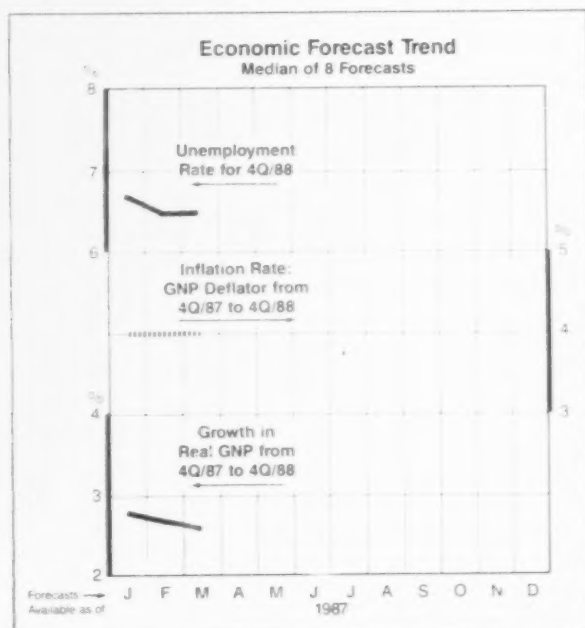
Food prices at the wholesale level fell 3% in February while energy prices rose 7.7 percent. But nonfood, non-energy prices were 0.4% higher. The CPI for nonfood, non-energy was 0.5% higher in January. The consensus of the **Economic Forecasts** is for an annualized 4.3% rise in consumer prices in the fourth quarter of 1987.

INTERNATIONAL MONITOR

Following an outsized increase in November, imports declined for 2 months. Imports of manufactured goods were 2.2% lower in January than 3 months earlier. To be sure, aircraft was 16% lower. But transport equipment, except aircraft, was 4.8% lower. And electric and nonelectric machinery imports declined.

The good news on imports is more than offset by steep declines in exports. Total shipments of manufactured goods were 11.5% lower in January than 3 months ago. Exports declined in all categories and destinations, in some cases by a large margin. For example, aircraft shipments fell by 40 percent. The trade-weighted **Exchange Rate** of the dollar against other major currencies fell 4% in January and 1.5% in February. That suggests that the dollar volume, as opposed to physical volume, of exports is declining. But the drop in the dollar volume of exports is worsening the trade deficit and exerting a drag on economic growth.

Ken Goldstein
March 11, 1987

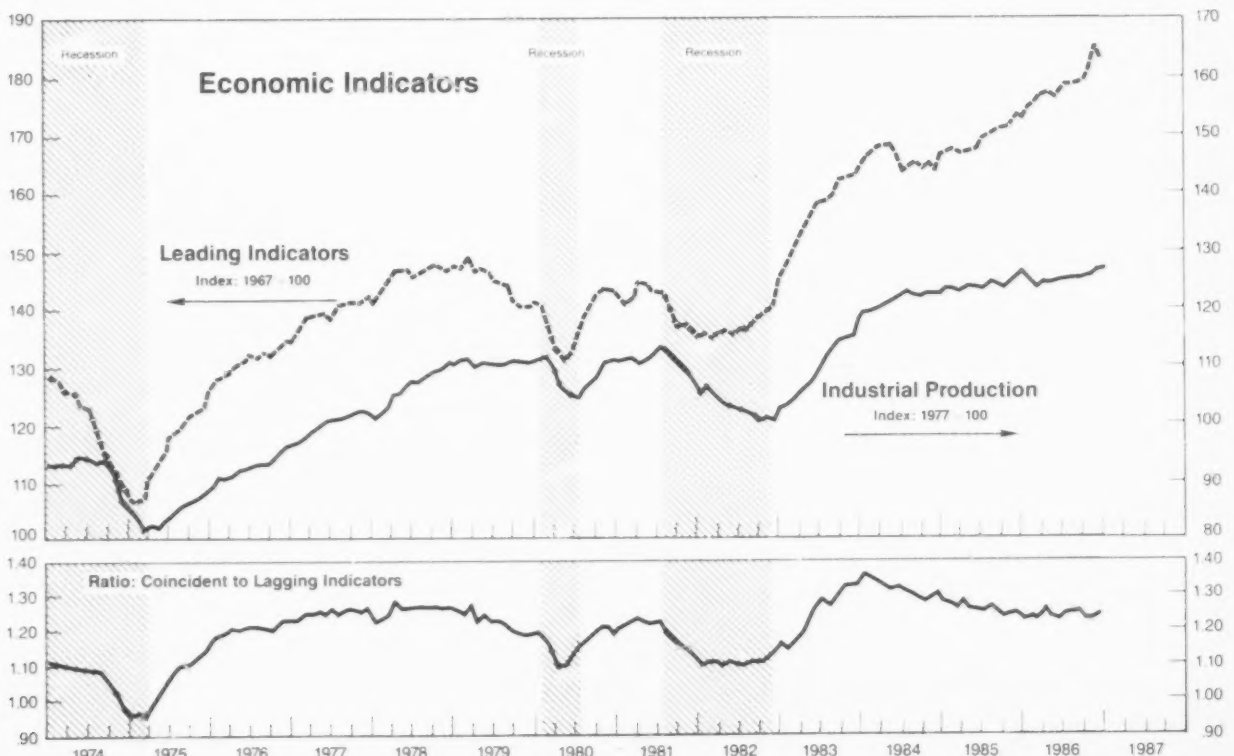


STATUS OF LEADING ECONOMIC INDICATORS

		Rising (Classification based on movement of series over several months)	Level	Declining	Change over Latest Three Months	Change from Year-Ago
Leading Economic Indicators	Jan	X			2.1%	5.9%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Jan.			X	-13.5%	-1.7%
New orders, nondefense capital goods (deflated)	Jan.			X	-14.3%	-0.5%
*New business formation	Jan.	X			2.2%	2.5%
*Housing permits	Jan.		X		8.0%	-9.2%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Jan.		X		-1.6%	-3.6%
*Change in inventory, on hand & order (deflated)	Dec.		X		-0.3%	-15.9%
Purchasing agents' buying policy	Feb.		X		1.0%	4.0%
*Vendor performance, reported slower deliveries	Jan.		X		1.0%	9.0%
Industrial raw materials prices	Feb.	X			1.4%	6.0%
*Change in sensitive material prices	Jan.	X			1.1%	1.4%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Jan.	X			1.1%	7.9%
Change in business loans	Jan.	X			84.6%	64.4%
*Change in credit outstanding	Dec.		X		8.0%	0.6%
Change in consumer installment debt	Dec.			X	-91.4%	-76.5%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q	X			5.1%	-0.5%
*Common stock prices	Feb.	X			14.9%	28.3%
Marginal Employment Adjustments						
*Average workweek, mfg.	Feb.	X			0.4hr	0.5hr
*Initial unemployment claims (inverted)	Jan.	X			-4.7%	4.3%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1986				1987
	Jan	Oct	Nov	Dec	Jan (e)
Principal Diffusion Index	59.0	53.7r	56.6r	56.2r	55.0
Auxiliary Diffusion Index	51.3	47.8r	59.3r	48.9r	45.9
Industrial Group	61.2	52.8	59.6r	56.5r	52.4
Nonindustrial Group	56.9	54.6r	53.6r	55.9r	57.6
Sense of Diffusion	1	1	1	1	1

SUBGROUP DIFFUSION INDEXES

Industrial Subgroups

Production	70.1	67.9	73.1r	65.4r	60.5
Labor	60.0	51.8	58.3	56.7	53.8
Miscellaneous	50.6	32.7	42.3	42.9	36.5

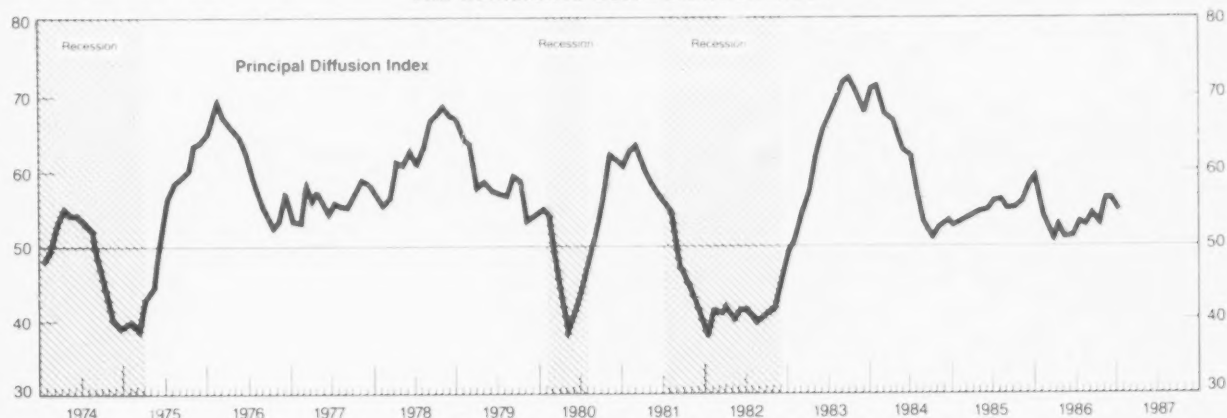
Nonindustrial Subgroups

Prices	54.5	61.5	66.7	71.8	76.9
Consumer	67.9	69.7	64.1	64.1	64.5
Building	51.0	34.0r	35.9r	37.8r	35.9
Miscellaneous	51.3	48.7	46.2	49.1	52.1

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1984				1985				1986		
	Feb.	May	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	Nov.
Score (scale 0-100)											
Measure of Business Confidence	70	65	61	57	61	52	51	55	61	61	50
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	76	75	70	57	62	48	45	53	63	61	44
2. Expectations for Economy, Six Months Ahead	67	60	57	57	61	53	53	56	62	62	52
3. Expectations for Own Industry, Six Months Ahead	67	61	57	58	61	55	54	56	59	60	54

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

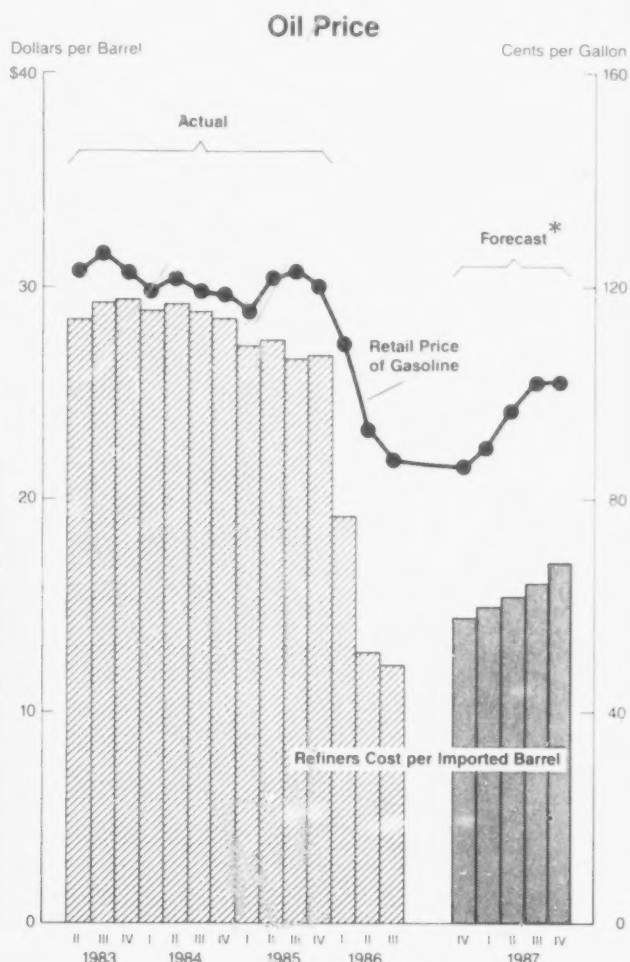
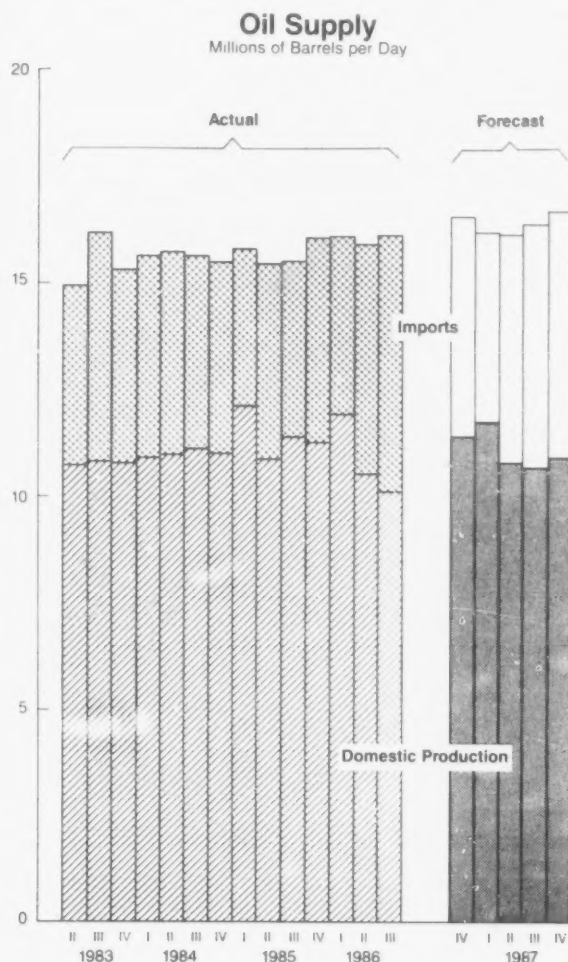
Billions of Dollars, Seasonally Adjusted

	1985				1986			Percent Change From Previous Year	
	I	II	III	IV	I	IIr	IIIp	Actual	Estimate
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	29 938	27 560	24 167	27 190	23 386	19 991	20 208	- 8	- 6
Capital expenditures	23 354	24 911	24 730	26 336	23 566	24 309	22 902	10	- 2
Change in appropriations backlog*	- 4 984	- 0 529	- 2 702	- 2 594	- 2 368	- 6 447	- 4 644		
Durable Goods									
New appropriations	16 737	10 910	12 031	12 005	11 613	9 578	10 322	-13	9
Capital expenditures	11 648	12 814	12 299	12 676	11 479	11 880	12 567	15	3
Change in appropriations backlog*	- 4 154	- 2 515	- 1 094	- 3 063	- 1 582	- 3 824	- 3 450		
Nondurable Goods									
New appropriations	13 201	16 650	12 136	15 185	11 773	10 413	9 886	- 2	-20
Capital expenditures	11 706	12 097	12 431	13 660	12 087	12 429	10 535	6	- 9
Change in appropriations backlog*	- 0 830	- 3 044	- 1 608	- 0 469	- 0 786	- 2 623	- 1 194		
ELECTRIC & GAS UTILITIES									
New appropriations	9 370r	15 139r	5 093r	8 692r	9 084	5 094	5 044	- 3	
Capital expenditures	9 078r	9 366r	9 078r	8 417r	7 425	8 115	7 839	- 2 0	
Change in appropriations backlog*	- 0 363r	- 4 662r	- 4 984r	- 0 261r	- 1 773	- 7 325	- 0 028		

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

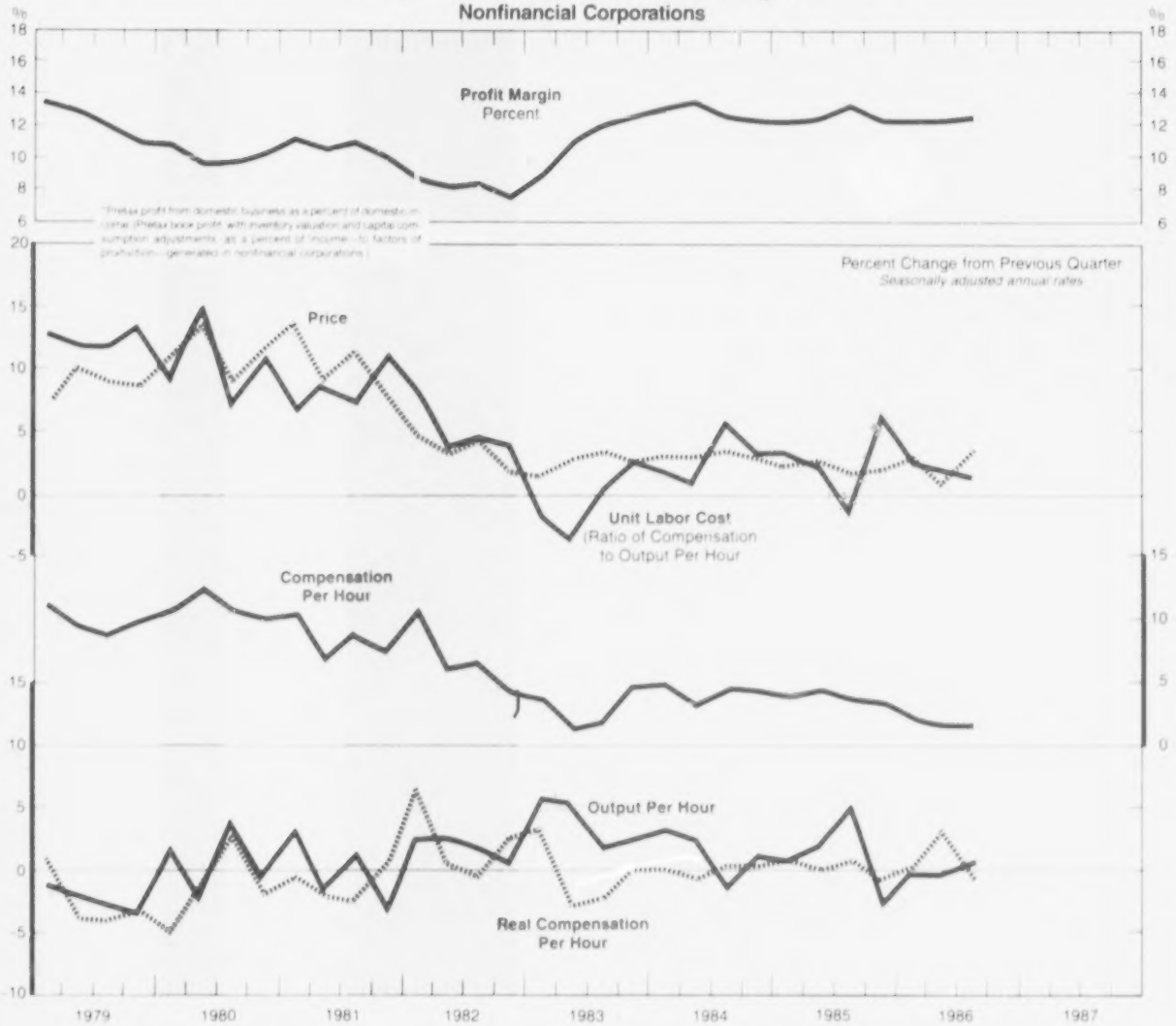
r—revised p—preliminary

* Change in Backlog = New Appropriations - (Expenditures - Cancellations and Other Adjustments)



* Source of Forecast is The Energy Information Administration, Department of Energy.

Key Determinants of Profit Margin Nonfinancial Corporations



Capacity Utilization Rates Manufacturing



Inventory - Sales Ratios



ECONOMIC FORECASTS

		U.C.L.A. ¹ Business Forecasting Project		Merrill Lynch ¹ Economics Inc.		E.I. duPont ¹ de Nemours & Co.		Georgia State University ¹	
Date of Forecast		Feb., 1987		Feb., 1987		Feb., 1987		Feb., 1987	
		Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change
Gross National Product Billions of Current Dollars									
Actual	1986 IV	\$4260.6	1.9%	\$4260.6	1.9%	\$4260.6	1.9%	\$4260.6	1.9%
	1987 I	4334.1	7.1	4331.4	6.8	4342.0	7.9	4342.5	7.9
	II	4412.3	7.4	4392.1	5.7	4428.8	8.2	4410.1	6.4
	III	4500.2	8.2	4464.8	6.8	4525.3	9.0	4467.6	5.3
	IV	4586.4	7.9	4543.9	7.3	4624.1	9.0	4532.2	5.9
	1988 I	4680.5	8.5	4630.6	7.9	4700.1	6.7	4598.0	5.9
	II	4765.2	7.4	4714.7	7.5	4779.7	6.9	4665.6	6.0
	III	4844.0	6.8	4802.3	7.6	4848.8	5.9	4742.6	6.8
	IV	4920.8	6.5	4893.6	7.8	4918.4	5.9	4811.7	6.0
	1989 I	5002.1	6.8						
	1987 Annual	4458.3	6.0	4433.1	5.4	4480.1	6.5	4438.1	5.5
	1988 Annual	4802.6	7.7	4760.3	7.4	4811.8	7.4	4704.5	6.0
Gross National Product Billions of Constant (1982) Dollars									
Actual	1986 IV	\$3698.3	1.3%	\$3698.3	1.3%	\$3698.3	1.3%	\$3698.3	1.3%
	1987 I	3732.1	3.7	3721.1	2.5	3727.0	3.1	3727.5	3.2
	II	3771.6	4.3	3738.7	1.9	3766.0	4.3	3753.3	2.8
	III	3816.0	4.8	3762.7	2.6	3806.0	4.3	3770.1	1.8
	IV	3860.6	4.8	3790.9	3.0	3847.0	4.4	3799.0	3.1
	1988 I	3903.8	4.6	3817.2	2.8	3878.0	3.3	3809.4	1.1
	II	3935.5	3.3	3841.5	2.6	3905.0	2.8	3827.4	1.9
	III	3958.6	2.4	3867.0	2.7	3923.0	1.9	3846.4	2.0
	IV	3984.3	2.6	3894.8	2.9	3941.0	1.8	3861.7	1.6
	1989 I	4007.8	2.4						
	1987 Annual	3795.1	3.3	3753.4	2.1	3786.5	3.0	3762.5	2.4
	1988 Annual	3945.6	4.0	3855.1	2.7	3911.8	3.3	3836.2	2.0
Gross National Product deflator Index, 1982 = 100									
Actual	1986 IV	115.2	.6%	115.2	.6%	115.2	.6%	115.2	.6%
	1987 I	116.1	3.3	116.4	4.2	116.5	4.6	116.5	4.6
	II	117.0	3.0	117.5	3.7	117.6	3.8	117.5	3.5
	III	117.9	3.3	118.7	4.1	118.9	4.5	118.5	3.5
	IV	118.8	3.0	119.9	4.1	120.2	4.4	119.3	2.7
	1988 I	119.9	3.7	121.3	4.9	121.2	3.4	120.7	4.8
	II	121.1	4.0	122.7	4.8	122.4	4.0	121.9	4.0
	III	122.4	4.3	124.2	4.8	123.6	4.0	123.3	4.7
	IV	123.5	3.8	125.6	4.8	124.8	3.9	124.6	4.3
	1989 I	124.8	4.3						
	1987 Annual	117.5	2.6	118.1	3.2	118.3	3.4	117.9	3.1
	1988 Annual	121.7	3.6	123.5	4.5	123.0	4.0	122.6	4.0
Unemployment Rate									
Actual	1986 IV		6.8%		6.8%		6.8%		6.8%
	1987 I		6.8		6.7		6.9		6.7
	II		6.7		6.8		6.8		6.6
	III		6.5		6.8		6.8		6.6
	IV		6.3		6.8		6.7		6.5
	1988 I		6.0		6.7		6.8		6.4
	II		5.9		6.7		6.7		6.4
	III		5.8		6.7		6.9		6.4
	IV		5.7		6.7		6.9		6.4
	1989 I		5.7						
	1987 Annual		6.5		6.8		6.8		6.6
	1988 Annual		5.8		6.7		6.8		6.4

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

¹Based on revised fourth quarter data.

ECONOMIC FORECASTS (continued)

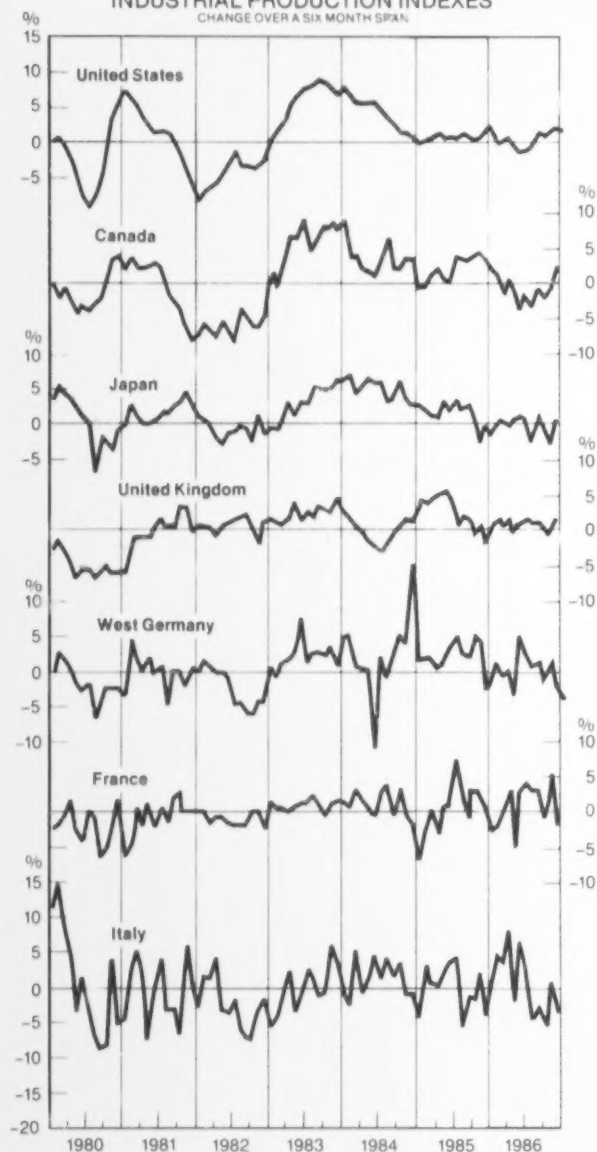
The Conference Board ¹		Chase Econometric ¹ Associates, Inc.		Data Resources Inc. ¹		Wharton E.F.A. Inc. ¹		Date of Forecast		
Feb., 1987		Feb., 1987		Feb., 1987		Feb., 1987				
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
Gross National Product Billions of Current Dollars										
\$4260.6	1.9%	\$4260.6	1.9%	\$4260.6	1.9%	\$4260.6	1.9%	IV	1986	Actual
\$4324.0	6.1	4313.4	5.0	4328.3	6.5	4318.3	5.5	I	1987	
4394.0	6.6	4378.2	6.1	4401.0	6.9	4389.9	6.8	II		
4462.0	6.3	4438.3	5.6	4475.6	7.0	4471.0	7.6	III		
4533.0	6.5	4507.2	6.4	4546.9	6.5	4557.5	8.0	IV		
4586.0	4.8	4574.1	6.1	4624.7	7.0	4650.2	8.4	I	1988	
4649.0	5.6	4646.1	6.4	4692.8	6.0	4741.1	8.1	II		
4737.0	7.8	4720.8	6.6	4756.1	5.5	4832.9	8.0	III		
4825.0	7.6	4804.3	7.3	4821.9	5.6	4923.0	7.7	IV		
		4885.4	6.9	4902.8	6.9	5009.1	7.2	I	1989	
4428.3	5.3	4409.3	4.8	4438.0	5.5	4434.2	5.4	Annual	1987	
4699.3	6.1	4686.3	6.3	4723.9	6.4	4786.8	8.0	Annual	1988	
Gross National Product Billions of Constant (1982) Dollars										
\$3698.3	1.3%	\$3698.3	1.3%	\$3698.3	1.3%	\$3698.3	1.3%	IV	1986	Actual
3727.6	3.2%	3716.3	2.0	3728.5	3.3	3721.6	2.5	I	1987	
3755.4	3.0	3742.7	2.9	3764.2	3.9	3751.1	3.2	II		
3777.8	2.4	3763.1	2.2	3796.0	3.4	3783.0	3.4	III		
3796.6	2.0	3792.8	3.2	3829.3	3.6	3816.3	3.6	IV		
3806.1	1.0	3817.1	2.6	3859.8	3.2	3853.5	4.0	I	1988	
3823.2	1.8	3840.0	2.4	3880.0	2.1	3885.3	3.3	II		
3854.4	3.3	3868.1	3.0	3895.8	1.6	3915.7	3.2	III		
3882.1	2.9	3896.0	2.9	3918.1	2.3	3942.6	2.8	IV		
		3919.2	2.4	3944.0	2.7	3963.2	2.1	I	1989	
3764.4	2.4	3753.7	2.1	3779.5	2.8	3768.0	2.5	Annual	1987	
3841.5	2.0	3855.3	2.7	3888.4	2.9	3893.3	3.5	Annual	1988	
Gross National Product deflator Index, 1982 = 100										
115.2	.6%	115.2	.6%	115.2	.6%	115.2	.6%	IV	1986	Actual
116.0	2.8	116.1	3.0	116.1	3.1	116.0	2.9	I	1987	
117.0	3.5	117.0	3.2	116.9	2.9	117.0	3.5	II		
118.1	3.8	117.9	3.3	117.9	3.4	118.2	4.0	III		
119.4	4.4	118.8	3.1	118.7	2.9	119.4	4.2	IV		
120.5	3.7	119.8	3.4	119.8	3.7	120.7	4.3	I	1988	
121.6	3.7	121.0	3.9	120.9	3.8	122.0	4.6	II		
122.9	4.3	122.0	3.5	122.1	3.8	123.4	4.7	III		
124.3	4.6	123.3	4.2	123.1	3.3	124.9	4.8	IV		
		124.7	4.4	124.3	4.1	126.4	5.0	I	1989	
117.6	2.8	117.5	2.6	117.4	2.6	117.7	2.8	Annual	1987	
122.3	4.0	121.5	3.5	121.5	3.5	122.7	4.3	Annual	1988	
Unemployment Rate										
6.8%		6.8%		6.8%		6.8%		IV	1986	Actual
6.7%		6.8		6.8		6.7		I	1987	
6.6		6.8		6.7		6.7		II		
6.6		6.8		6.6		6.7		III		
6.7		6.8		6.5		6.6		IV		
7.0		6.8		6.3		6.5		I	1988	
7.2		6.8		6.3		6.4		IV		
7.2		6.8		6.3		6.3		III		
7.2		6.7		6.3		6.2		IV		
		6.7		6.3		6.2		I	1989	
6.7		6.8		6.6		6.7		Annual	1987	
7.2		6.8		6.3		6.3		Annual	1988	

Please Note: In the interest of speeding the data contained in this publication to you, these series are available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

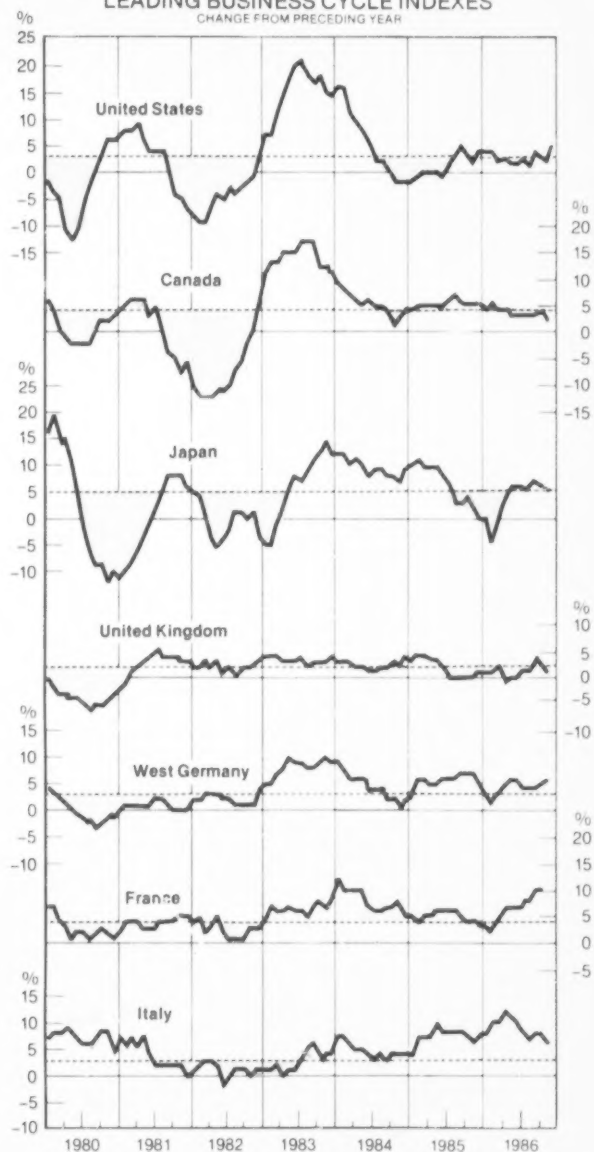
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



LEADING BUSINESS CYCLE INDEXES

CHANGE FROM PRECEDING YEAR



Source: Center for International Business Cycle Research, Columbia University

MERCHANDISE TRADE: VALUE OF EXPORTS

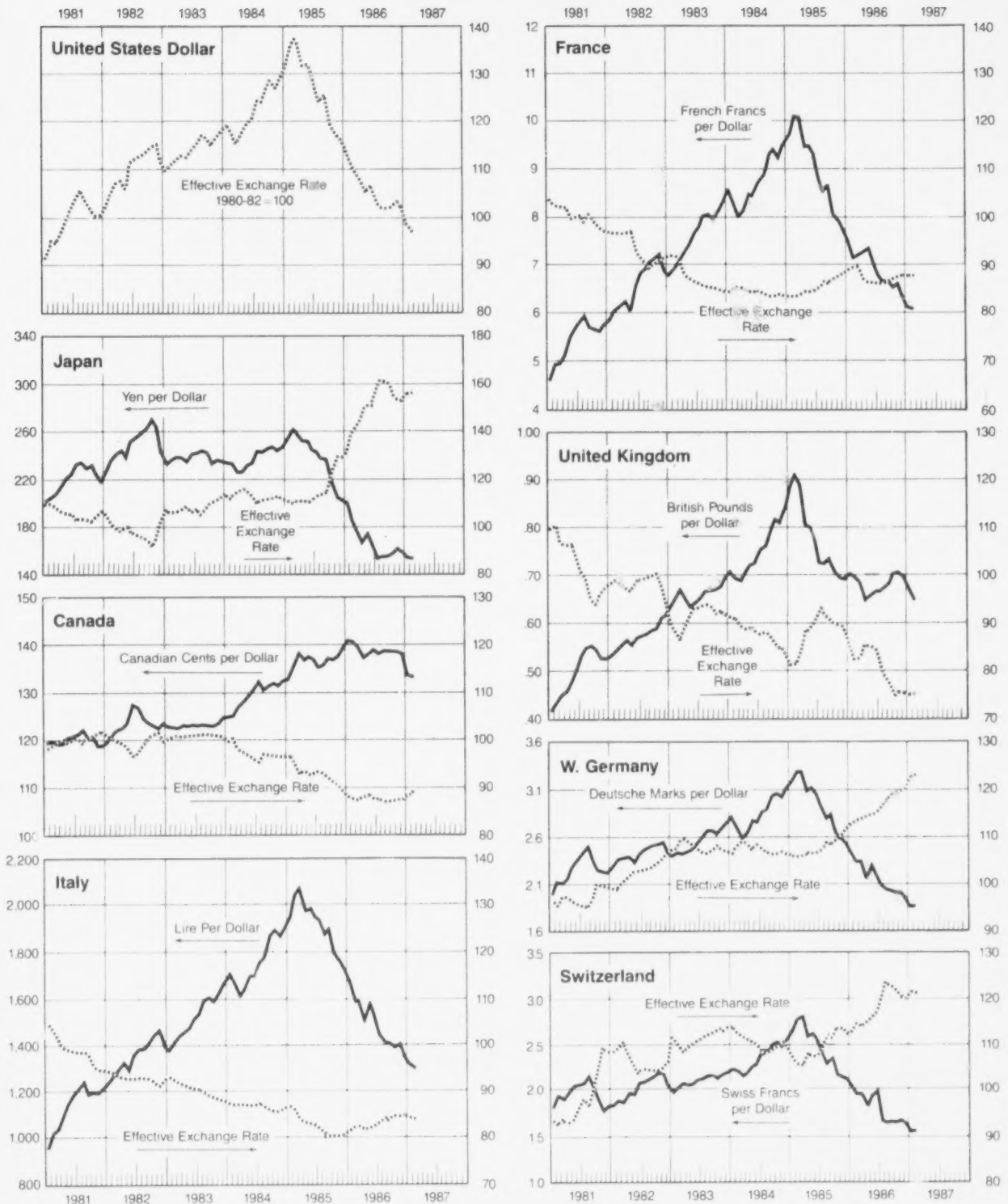


RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates, index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

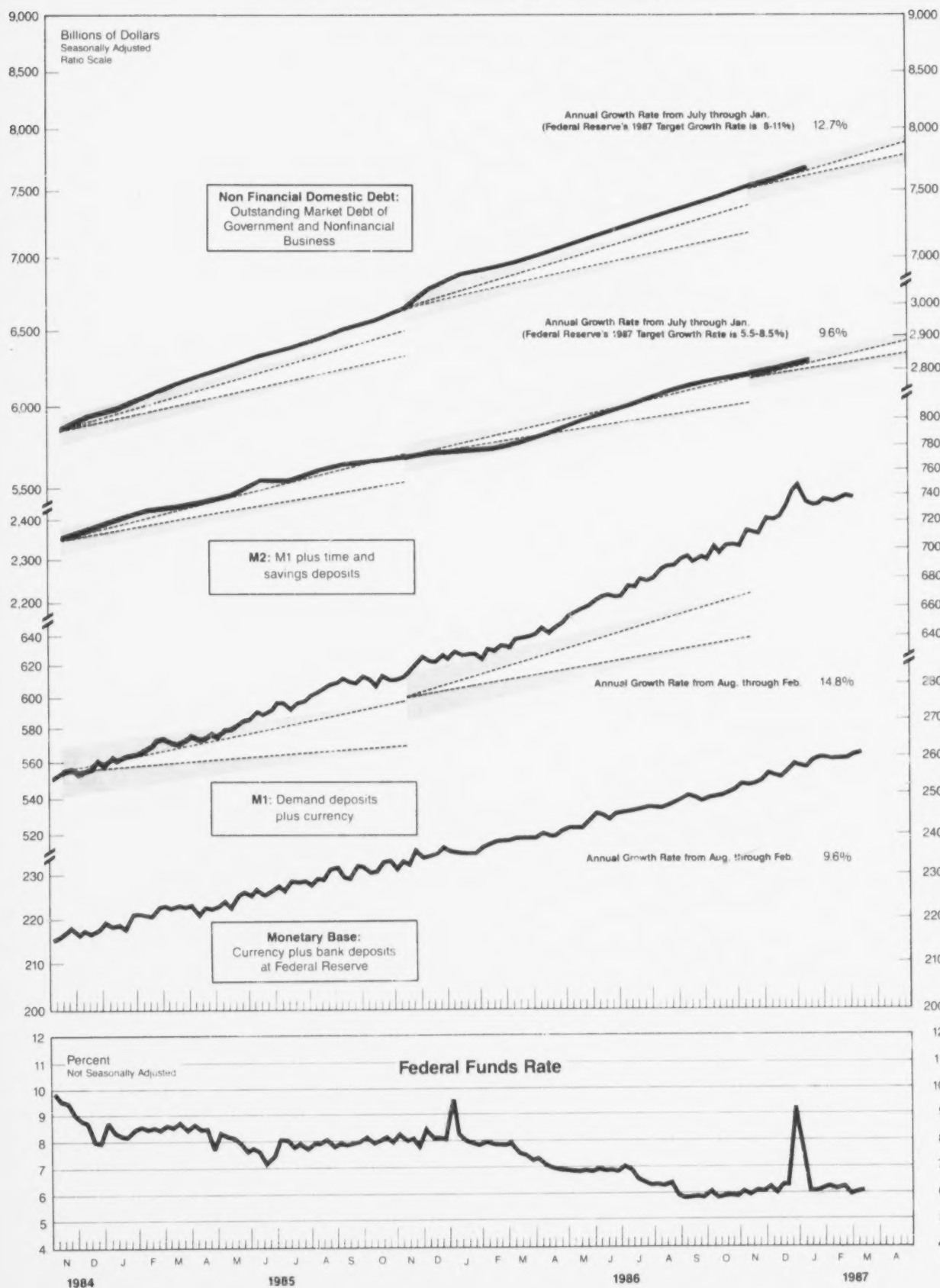
PERSPECTIVE ON THE FEDERAL BUDGET (Billions of Current Dollars)

	Fiscal 1986	Fiscal 1987		Fiscal 1988
	Actual	Administration's Latest Estimate	Congress's Latest Estimate	Administration's Latest Estimate
		(1/5/87)	(8/4/86)	(1/5/87)
Receipts	\$769.1	\$842.4	\$852.4	\$ 916.6
Outlays	989.8	1,015.6	995.0	1,024.3
Deficit	-220.7	-173.2	-142.6	-107.8
Receipts by source	\$769.1	\$842.4	\$852.4	\$ 916.6
Individual income	349.0	364.0		392.8
Social security	283.9	301.5		333.2
Corporate income	63.1	104.8		117.2
Other receipts	73.1	72.1		73.4
Outlays by function	\$989.8	\$1,015.6	\$995.0	\$1,024.3
National defense	273.4	282.2	279.2	297.6
Social security	269.0	279.5	282.7	292.4
Income security	119.8	124.9	121.8	124.8
Health	35.9	39.7	38.3	38.9
Education & manpower	29.7	29.8	30.6	28.4
Veterans benefits	26.4	26.7	26.6	27.2
Transportation	28.1	27.0	25.9	25.5
Agriculture	31.4	31.1	23.5	26.3
International affairs	14.2	14.6	14.0	15.2
Natural resources	13.6	13.9	12.6	14.2
General science	9.0	9.5	8.9	11.4
Justice	6.6	8.3	7.2	9.2
General government	6.1	6.8	5.5	7.5
Community development	7.5	6.2	7.0	5.5
Commerce, Housing credit	4.4	9.3	2.1	2.5
Energy	4.7	3.8	3.5	3.2
Revenue sharing	6.4	1.9	2.8	1.5
Interest	136.0	137.5	143.7	139.0
Allowances	0.0	0.0	- 0.1	- 0.8
Offsetting receipts	- 33.0	- 37.1	- 40.3	- 45.4

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP				
Current Dollar	\$4,218.0	\$4,493.0	\$4,504.0	\$4,836.0
Constant (1982) Dollar	3,681.0	3,794.0	3,810.0	3,928.0
Percent change in				
Current dollar	5.5%	6.5%	6.8%	7.2%
Constant (1982) dollar	2.7	3.1	3.4	3.5%
Implicit price index	2.8	3.3	3.3	3.5
Consumer price index	1.6	3.0	3.3	3.6
91-Day T-bill rate	6.0	5.4	6.4	5.6
Unemployment rate	6.9	6.7	6.7	6.3

Money Supply and Monetary Growth Targets



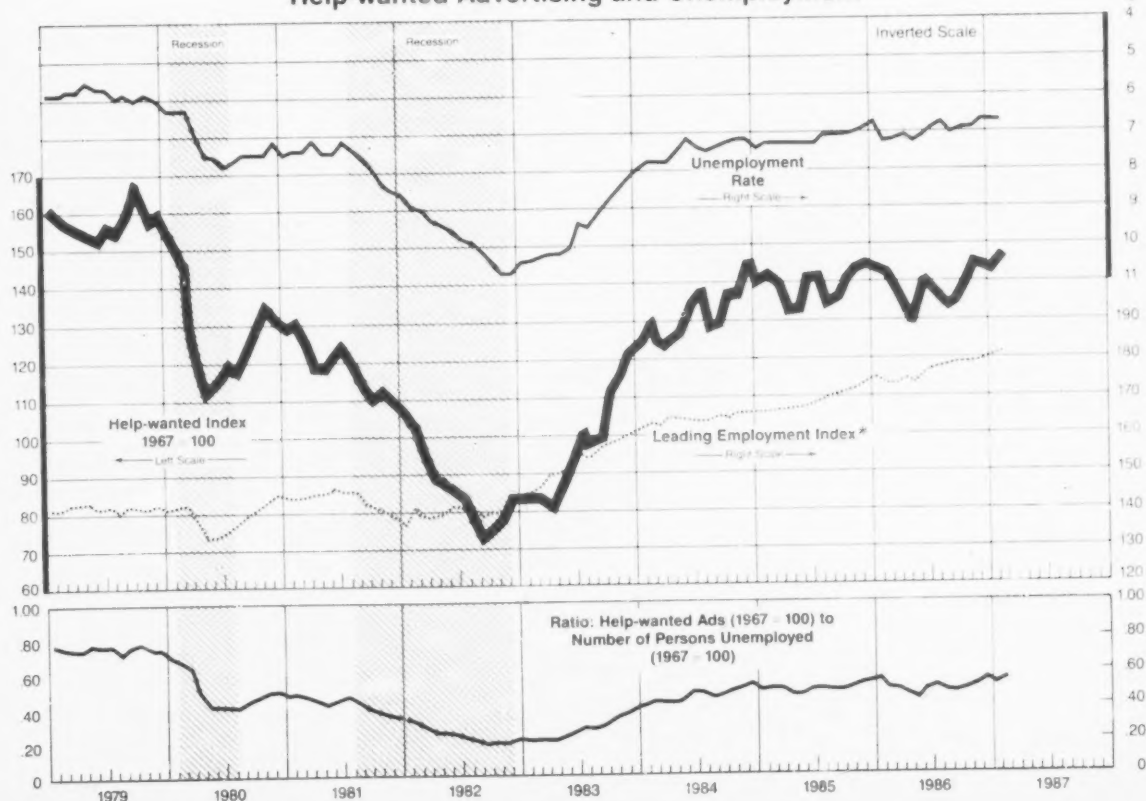
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

Locality	1987	1986			1987	1986		
	Jan.	Dec.	Nov.	Jan.	Jan.	Dec.	Nov.	Jan.
National Index	142	144r	147	143				
New England	165	168	179	156				
Boston	168	164	184	162	Charlotte	188	171	175
Hartford	170	187	182	169	Jacksonville	214	233	237
Providence	150	163	161	125	Miami	96	89	101
					Richmond	137	147	137
					Washington, D.C.	179	196	208
								183
Middle Atlantic	78	82	85	73	East South Central	173	152	147
Albany	189	175	190	173	Birmingham	176	164	164
Allentown	279	338	306	196	Knoxville	249	233	213
New York	56	58	64	56	Louisville	93	92	89
Philadelphia	69	75	78	64	Memphis	143	120	119
Pittsburgh	92	91	87	83	Nashville	256	201	191
Rochester	91	94	90	91				275
Syracuse	N A	140r	145r	118	West South Central	159	165	161
					Dallas	154	173	165
East North Central	92	102r	99	90	Houston	216	218	216
Chicago	98	113r	109	91	New Orleans	112	108	107
Cincinnati	148	185	151	163	Oklahoma City	101	106	100
Cleveland	59	65	65	60	San Antonio	146	137	142
Columbus	174	172	177	158	Tulsa	123	133	121
Dayton	75	79	84	84				148
Detroit	55	58	62	67	Mountain	288	297	297
Gary	163	150	139	123	Denver	194	194	180
Indianapolis	101	117	117	88	Phoenix	411	405	447
Milwaukee	66	68	67	55	Salt Lake City	296	346	313
Toledo	126	127	128	130				330
					Pacific	225	217	226
West North Central	96	98	107	93	Los Angeles	159	148	158
Kansas City	152	181	187	160	Sacramento	465	419	434
Minneapolis	81	79	88	71	San Bernardino	291	263	268
Omaha	131	116	129	117	San Diego	523	531	496
St. Louis	67	62	71	69	San Francisco	210	214	235
					Seattle	211	205	219
South Atlantic	201	202	206	191				
Atlanta	267	263	281	287	Percentage of papers			
Baltimore	270	254	233	219	with rising volume	47	45	86
					Unemployment rate	6.7	6.7	6.9
								5.8

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977)
r—revised N A—not available

Help-wanted Advertising and Unemployment



*Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1984	105.0	102.0	102.9	103.8	102.0	103.7	98.5	101.6	102.4	101.7	106.1	98.7
1985	103.0	104.0	98.0	101.0	96.6	100.0	101.2	99.6	98.9	99.3	98.7	99.8
1986	97.6	97.3	97.6	95.4	97.9	97.1	95.7	91.1	92.2	89.8	89.8	93.6
1987	86.0r	92.3p										

Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	104.5	104.4	103.1	124.7	109.0	111.3	107.2	108.2	105.3	98.8	93.0	103.6
1987	98.9r	90.8p										

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

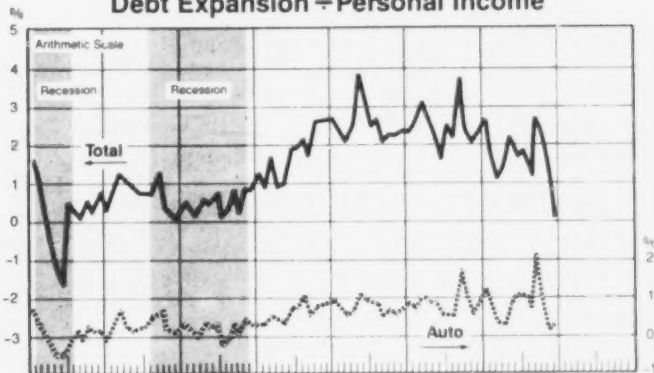
p—preliminary

Consumer Confidence and Expectations

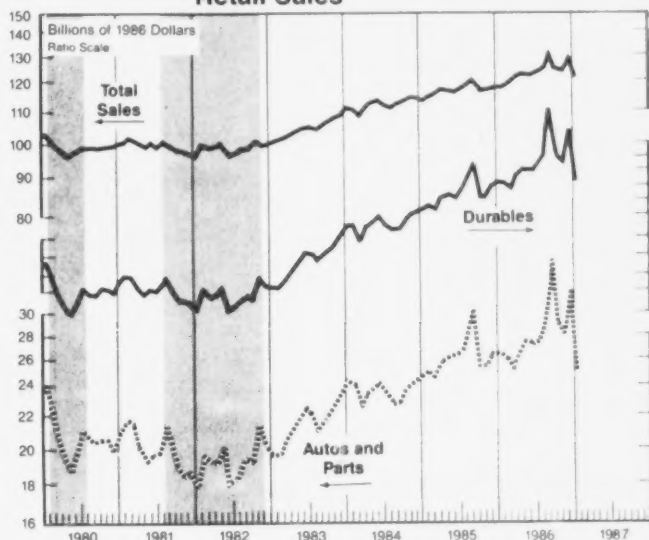


ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes. For more information, contact Linette Waters at (212) 759-0900.

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



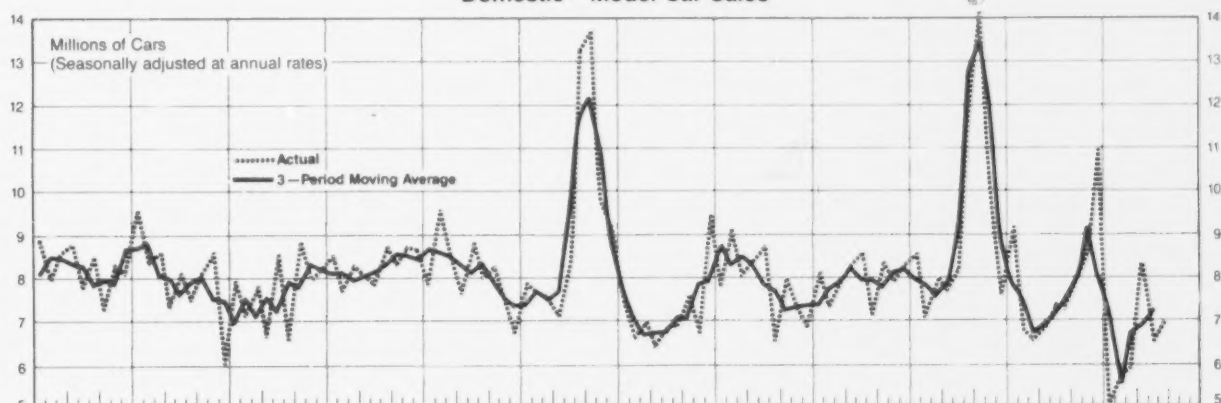
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

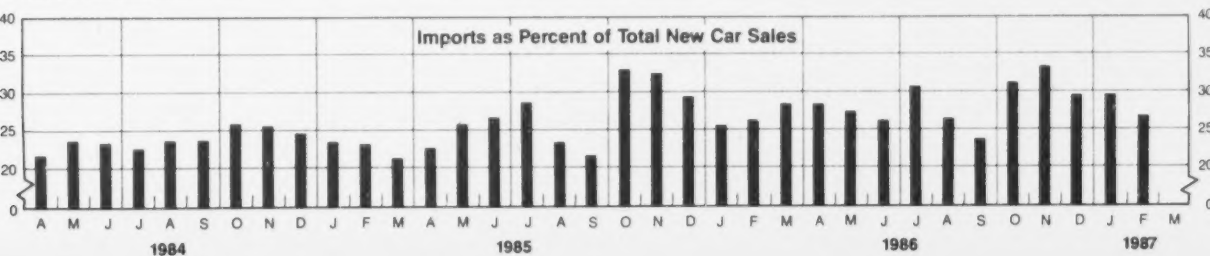
Periods		1984	1985	1986	1987
January:	1-10	8.16	8.46	7.76	4.78
	11-20	7.84	7.66	9.05	5.71
	21-31	9.15	8.23	8.02	5.95
February:	1-10	7.79	8.01	8.36	8.26
	11-20	9.17	7.84	8.71	6.46
	21-28(29)	7.60	8.69	6.47	6.87
March:	1-10	7.35	8.27	7.93	7.76
	11-20	8.13	8.73	7.23	
	21-31	7.35	8.67	6.81	
April:	1-10	8.88	7.84	8.06	
	11-20	7.96	9.48	7.25	
	21-30	8.60	8.42	7.92	
May:	1-10	8.19	7.60	8.30	
	11-20	7.74	8.78	8.57	
	21-31	8.43	7.96	7.09	
June:	1-10	7.22	8.21	8.27	
	11-20	8.25	7.51	7.84	
	21-30	8.10	6.71	8.30	
July:	1-10	9.51	7.81	8.50	
	11-20	8.32	7.63	7.03	
	21-31	8.59	7.57	7.96	
August:	1-10	7.33	7.09	7.64	
	11-20	8.07	8.30	8.19	
	21-31	7.43	13.23	11.65	
September:	1-10	8.13	13.64	18.67	
	11-20	8.52	9.70	9.87	
	21-30	6.03	9.10	7.58	
October:	1-10	7.83	7.40	9.07	
	11-20	7.07	6.57	6.72	
	21-31	7.70	6.92	6.51	
November:	1-10	6.60	6.40	6.80	
	11-20	8.44	6.81	7.32	
	21-30	6.57	6.91	7.23	
December:	1-10	8.75	7.56	7.95	
	11-20	7.96	6.69	8.54	
	21-31	8.19	9.31	10.93	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales



Imports as Percent of Total New Car Sales



171790000001 0000 000
Statistical Reference Index
Aggregations
4520 East West Highway - Suite 800
Bethesda, MD 20814

STATISTICAL BULLETIN

5/11/87 R4105-3A

Highlights

- NEW ORDERS HAVE WEAKENED
- AND INDUSTRIAL CONDITIONS MAY BE SLOWING
- INVENTORY BUILDUP MAY BE UNDER WAY
- LABOR DEMAND IS PICKING UP
- CONSUMER DEMAND GETTING STRONGER
- EXCEPT FOR CARS AND HOMES
- OUTLOOK • 3% GROWTH IN THE SECOND AND THIRD QUARTERS, WITH NO UPTICK IN INFLATION

Volume 20, No. 4, April, 1987

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The Conference Board



THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: The dollar plunged, interest rates were hiked, and the stock market tumbled. But the economy still keeps going up. The consensus of the **Economic Forecasts** is that real GNP rose at a seasonally adjusted 3.3% annual rate in the first quarter. Expectations are that economic growth of at least 3% will continue throughout the rest of the year.

The U.S. economy has been, and is expected to continue, growing faster than the other major industrial countries. Growth is expected to slow in the U.K., Canada, West Germany and Japan. It is expected to rise from a very sluggish pace to a more moderate one in France and Italy. Altogether, the industrial countries are expected to grow by 2.4% this year, compared with 3% in 1986.

Slow growth abroad limits opportunities for U.S. exports and prevents improvement in the persistent trade deficit. That, among other factors, tended to set off dollar selling, especially against the yen. Fears of renewed inflation, stemming from dollar depreciation, contributed to the turn around in interest rates. Higher interest rates accompanied a stock market tumble, despite an optimistic economic, and profit, forecast.

DOMESTIC MARKET MONITOR

One signal that this long expansion still contains a fair degree of momentum is that labor market conditions appear to be improving a bit. The unemployment rate dropped to 6.6% in March, after having remained at 6.7% for 3 straight months. That change, however, was more the result of a drop in labor force participation than of faster job growth. Still, the ratio of working adults to all adults was 62.6% in March and February—0.4% rise since the fall months.

The workweek in private industry was as long or longer in February than at any time in the last 2 years. Thus, despite a small decline in the workweek in March, total hours were 5.5% higher, at an annual rate, in the first quarter than in the last quarter of 1986.

Labor demand, after remaining quite flat for much of the last two years, may be picking up. The Conference Board's **Help-wanted Index** stood at 148 (1967=100) in February. While that was not much higher than the reading of last November, early returns to the March survey indicate that this measure of demand for labor may have climbed another two or three points.

INCOME: Hourly wage rates continue to rise modestly. The index for all nonsupervisory workers in private industry was only 0.7% higher in March than 3 months earlier.

A modest rise in hourly pay and a longer workweek have given a lift to wage income growth. Wages in commodity-producing industry, after remaining flat for most of last year, were 1.1% higher in February than 3 months earlier. Wages in other industry were 1.8% higher—a slightly faster rise than in late 1986.

Nonwage income growth is also relatively robust. Though it slowed a bit, shopkeepers' income was still 1.8% higher in February than 3 months earlier. Dividend growth quickened to a 1.7% pace. The decline in interest income slowed and saving rates are no longer falling. The drop in rental income has also slowed.

Consumer indebtedness is declining, as borrowing remains quite flat. The net rise in installment debt was 3.7% (annual rate) in February, after 2 months of almost no change. Flat borrowing and rising income have lowered the ratio of **Consumer Installment Debt Expansion to Personal Income**.

Consumer attitudes, after waning in the second half of 1986, have turned more positive. The Conference Board's **Consumer Confidence Index** rose to 98.1 (1985=100) in March, or back to the level of mid-1986. A faltering in demand, due in part to less optimism among households, is therefore much less of a possibility.

SPENDING: Growth in retail sales remains fairly moderate. Sales, except autos, were 2.2% higher in February than 3 months earlier. Durable sales, except autos, were 2.8% higher. Nondurable sales were 2.1% higher.

The recovery in car sales in February and March was limited. New domestic **Automobile Sales** were at a seasonally adjusted 7.2 million annual rate in February, but then rose to 7.6 million in March. That's a slower pace than in late summer—or before the big promotion campaigns were renewed. And new promotions are now under way. Foreign car sales rose to 2.8 million in March, still below the 3-to-4 million monthly rate of 1986.

CONSTRUCTION: Single-family home sales were no higher in February than last July. But with an optimistic construction schedule, the inventory of unsold homes has slowly risen. At the same time, mortgage rates are no longer declining. Single-family starts, however, remain strong.

Ken Goldstein, Editor

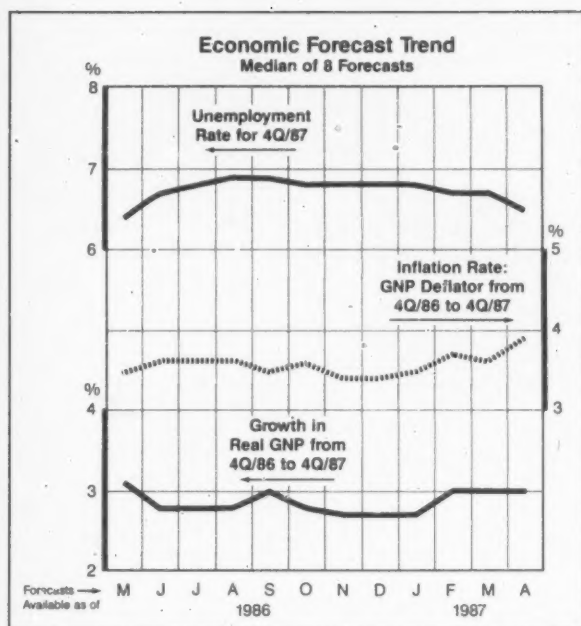
STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.

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New York, New York 10022

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Nonresidential construction, which was weak in 1986, did not improve in early 1987. The value of new office, commercial and industrial building was still declining in February. Public spending on buildings was up slightly, but spending on roads and infrastructure has shot up in recent months.

PRODUCTION: The strong rise in industrial production which began in October, continued in February. But given a workweek decline and meager job gains in March, output probably fell that month. Raw material output through February was moderate, but the rise in semi-finished production slowed. Production of finished consumer goods remained strong, while business equipment remained weak. And the rise in defense- and space-related output slowed.

While hiring remained sluggish, recent increases in production have been accomplished by having employees work more hours and bring more plant and equipment into production. The overall capacity utilization rate was about 80% in February, compared with 70% in October.

Industrial conditions may be slowing due to a lack of new orders. Durable-goods orders only partially recovered in February from a sizable decline in January. To be sure, defense orders were 9.2% lower in February than in December. But orders, except defense, were 3.4% lower. The drop in orders over the last 2 months was more pronounced for intermediate goods than for finished products.

INVENTORY: The rise in inventory over the last year matched the increase in industrial sales. The total Inventory-to-Sales ratio, then, has remained almost unchanged. This

raises a concern, however, that if consumer demand or business investment begin to rise more sharply, inventories could be too lean. Inventory building, then, could play a role in the second quarter.

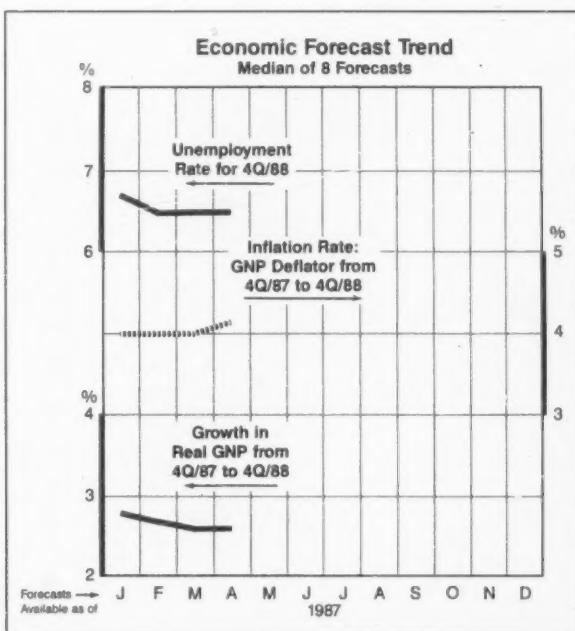
In January, nondurable inventories fell at the retail level but were 1.6% higher at the manufacturing level than 3 months earlier. That may be a sign that some nondurable restocking is already under way. Durable inventory, except cars at the retail level, was 0.5% higher in January. Car inventory is mounting and has already spurred some promotional campaigns. It could also lead to production cuts.

INFLATION: The 5-month recovery in commodity prices ended in January. Prices declined in February and remained unchanged in March. Raw industrial prices fell 2.2% in February and 0.5% in March. Lower industrial prices and declines in new orders typically signal soft demand for industrial output.

INTERNATIONAL MONITOR

The trade-weighted average **Exchange Rate** of the dollar against other major currencies fell almost 1% in March, and was 6.3% lower than only 3 months earlier. Moreover, the dollar fell heavily in April against the yen. The dollar decline is raising concern about higher inflation. Nevertheless, the consensus of the **Economic Forecasts** is that the overall CPI will be rising at about a 4.5% annual rate in the fourth quarter of 1987, compared with almost 5% in the first quarter.

Ken Goldstein
April 13, 1987

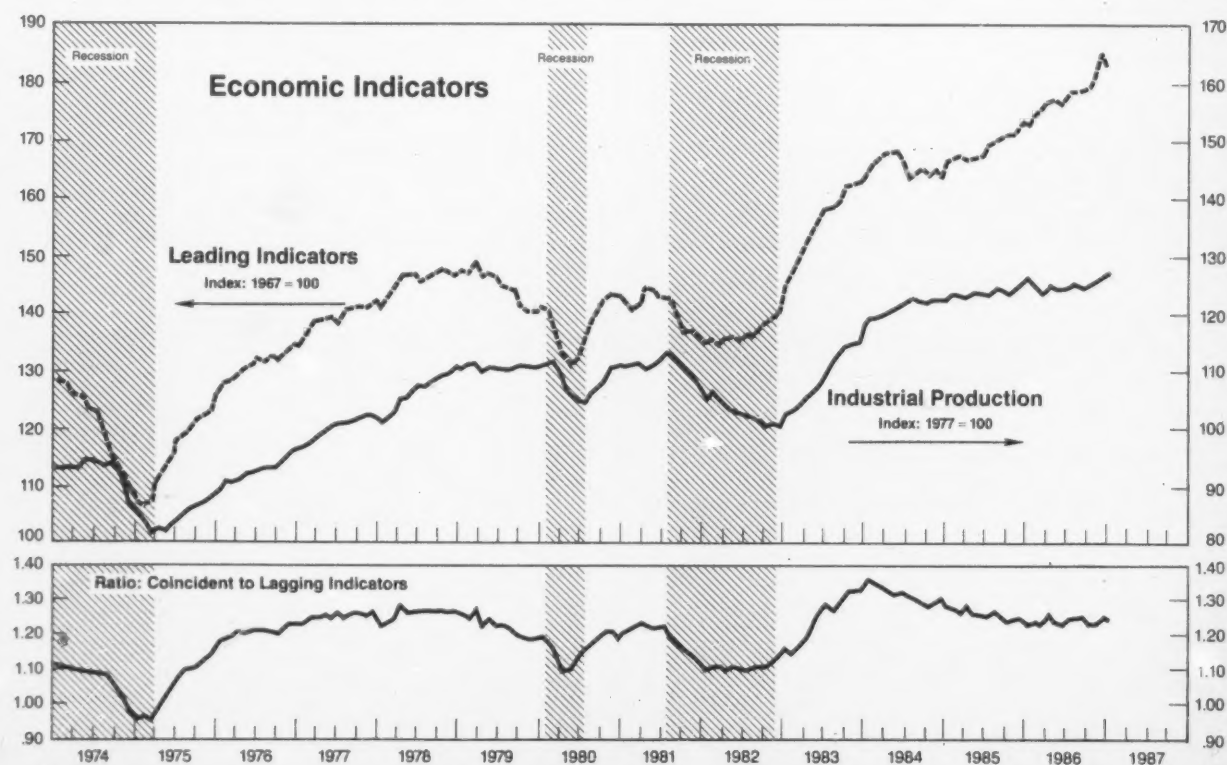


STATUS OF LEADING ECONOMIC INDICATORS

		Rising (Classification based on movement of series over several months)	Level	Declining	Change over Latest Three Months	Change from Year-Ago
Leading Economic Indicators	Feb.	X			2.5%	6.9%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Feb.			X	- 6.3%	- 9.7%
*New orders, nondefense capital goods (deflated)	Feb.			X	- 6.1%	- 7.6%
*New business formation	Feb.	X			5.0%	3.1%
*Housing permits	Feb.	X			9.3%	- 2.5%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Feb.	X			7.8%	5.9%
*Change in inventory, on hand & order (deflated)	Jan.	X			19.8%	- 6.1%
Purchasing agents' buying policy	Mar.		X		- 1.0%	5.0%
*Vendor performance, reported slower deliveries	Mar.		X		- 1.0%	5.0%
Industrial raw materials prices	Mar.		X		- 0.5%	10.4%
*Change in sensitive material prices	Feb.			X	- 0.9%	0.4%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Feb.		X		0.4%	6.9%
Change in business loans	Feb.			X	-50.5%	23.7%
*Change in credit outstanding	Jan.		X		- 0.2%	- 3.9%
Change in consumer installment debt	Feb.	X			11.9%	-39.2%
Profitability						
Total corporate profits, after tax (deflated)	Mar.	X			5.1%	- 0.5%
*Common stock prices	Mar.	X			17.6%	25.9%
Marginal Employment Adjustments						
*Average workweek, mfg.	Mar.		X		0.1hr	0.2hr
*Initial unemployment claims (inverted)	Feb.	X			- 5.6%	6.0%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



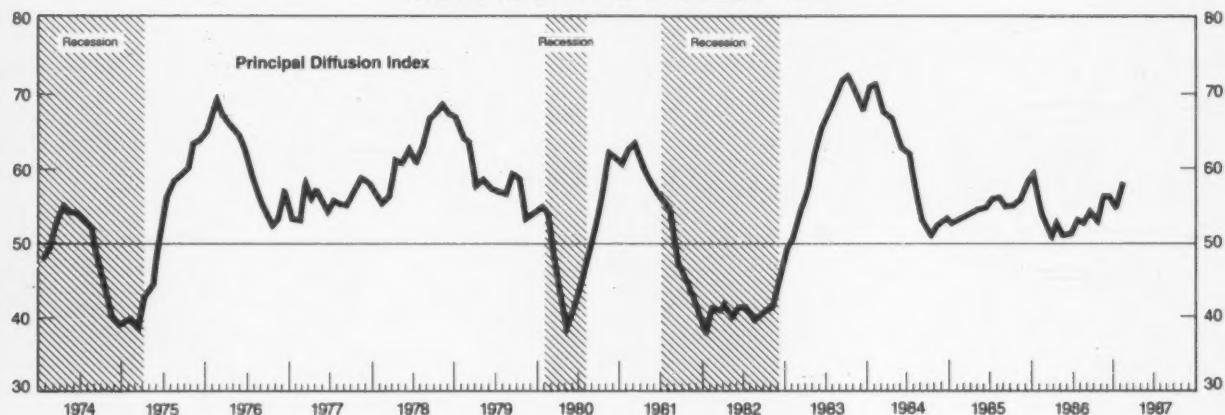
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1986			1987	
	Feb.	Nov.	Dec.	Jan.	Feb.(e)
Principal Diffusion Index	54.0	56.6	56.3r	55.0	58.1
Auxiliary Diffusion Index	36.4	59.3	48.9	45.9	60.1
Industrial Group	53.5	59.7r	56.7r	51.7r	57.3
Nonindustrial Group	54.6	53.6	55.9	58.3r	59.0
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	64.5	73.1	67.9r	62.8r	68.8
Labor	50.9	58.3	55.1r	50.9r	54.6
Miscellaneous	43.6	42.9r	43.6r	37.2r	46.8
Nonindustrial Subgroups					
Prices	54.5	66.7	71.8	76.9	73.7
Consumer	63.2	64.1	64.1	59.4r	65.4
Building	50.3	35.9	37.8	39.7r	41.7
Miscellaneous	48.7	46.2	49.1	57.3r	54.3

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board RECORD, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1984				1985				1986		
	Feb.	May	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	Nov.
Score (scale 0-100)											
Measure of Business Confidence	70	65	61	57	61	52	51	55	61	61	50
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	76	75	70	57	62	48	45	53	63	61	44
2. Expectations for Economy, Six Months Ahead	67	60	57	57	61	53	53	56	62	62	52
3. Expectations for Own Industry, Six Months Ahead	67	61	57	58	61	55	54	56	59	60	54

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

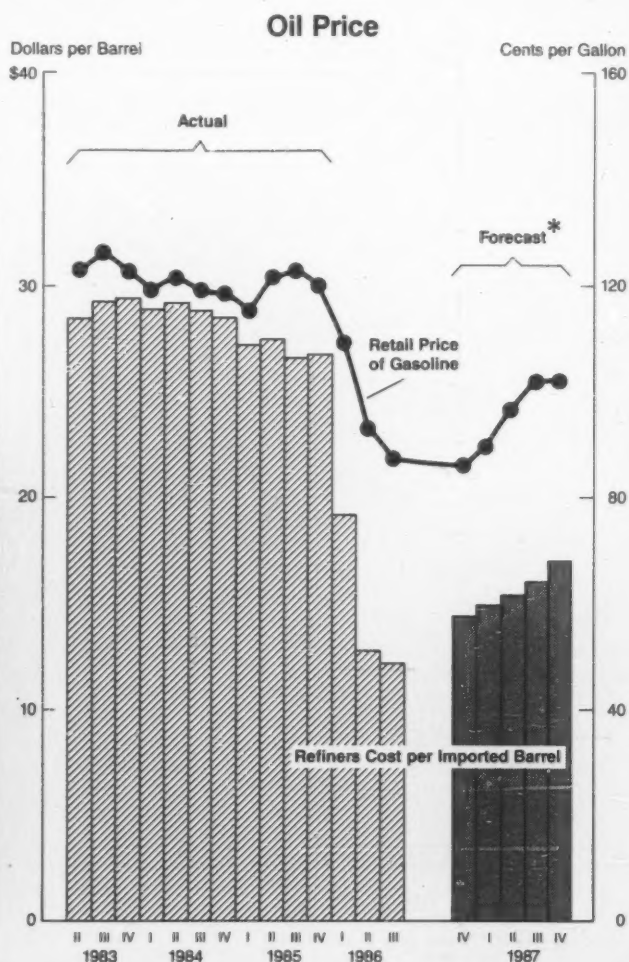
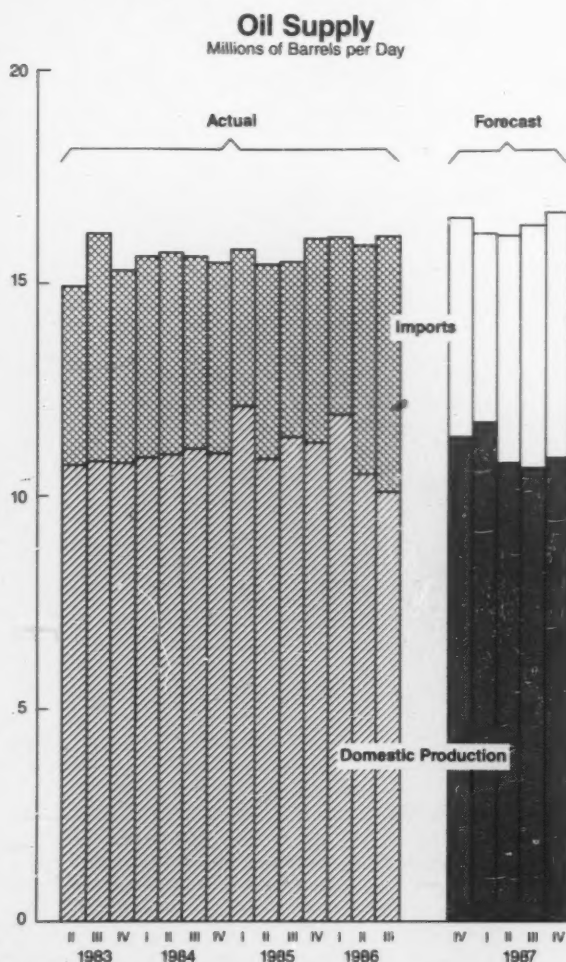
Billions of Dollars, Seasonally Adjusted

	1985			1986				Percent Change From Previous Year	
	II	III	IV	I	IIr	IIIr	IVp	Actual	Estimate
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	27.560	24.167	27.190	23.386	19.991	20.203	22.692	-18	20
Capital expenditures	24.911	24.730	26.336	23.566	24.309	22.452	23.390	-6	10
Change in appropriations backlog*	+0.529	-2.702	-2.594	-2.368	-6.447	-5.060	-10.935		
Durable Goods									
New appropriations	10.910	12.031	12.005	11.613	9.578	10.051	11.722	-16	15.6
Capital expenditures	12.814	12.299	12.676	11.479	11.880	12.186	13.107	-1	7
Change in appropriations backlog*	+2.515	-1.094	-3.063	-1.582	-3.824	-3.986	-3.580		
Nondurable Goods									
New appropriations	16.650	12.136	15.185	11.773	10.413	10.152	10.970	-20	22
Capital expenditures	12.097	12.431	13.660	12.087	12.429	10.266	10.283	-11	11
Change in appropriations backlog*	+3.044	-1.608	+0.469	-0.786	-2.623	-1.074	-7.355		
ELECTRIC & GAS UTILITIES									
New appropriations	15.139r	5.093r	8.692r	9.084	5.094	5.044	+ 3		
Capital expenditures	9.366r	9.078r	8.417r	7.425	8.115	7.839	-2.0		
Change in appropriations backlog*	+4.662r	-4.984r	-0.261r	+1.773	-7.325	-0.028			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

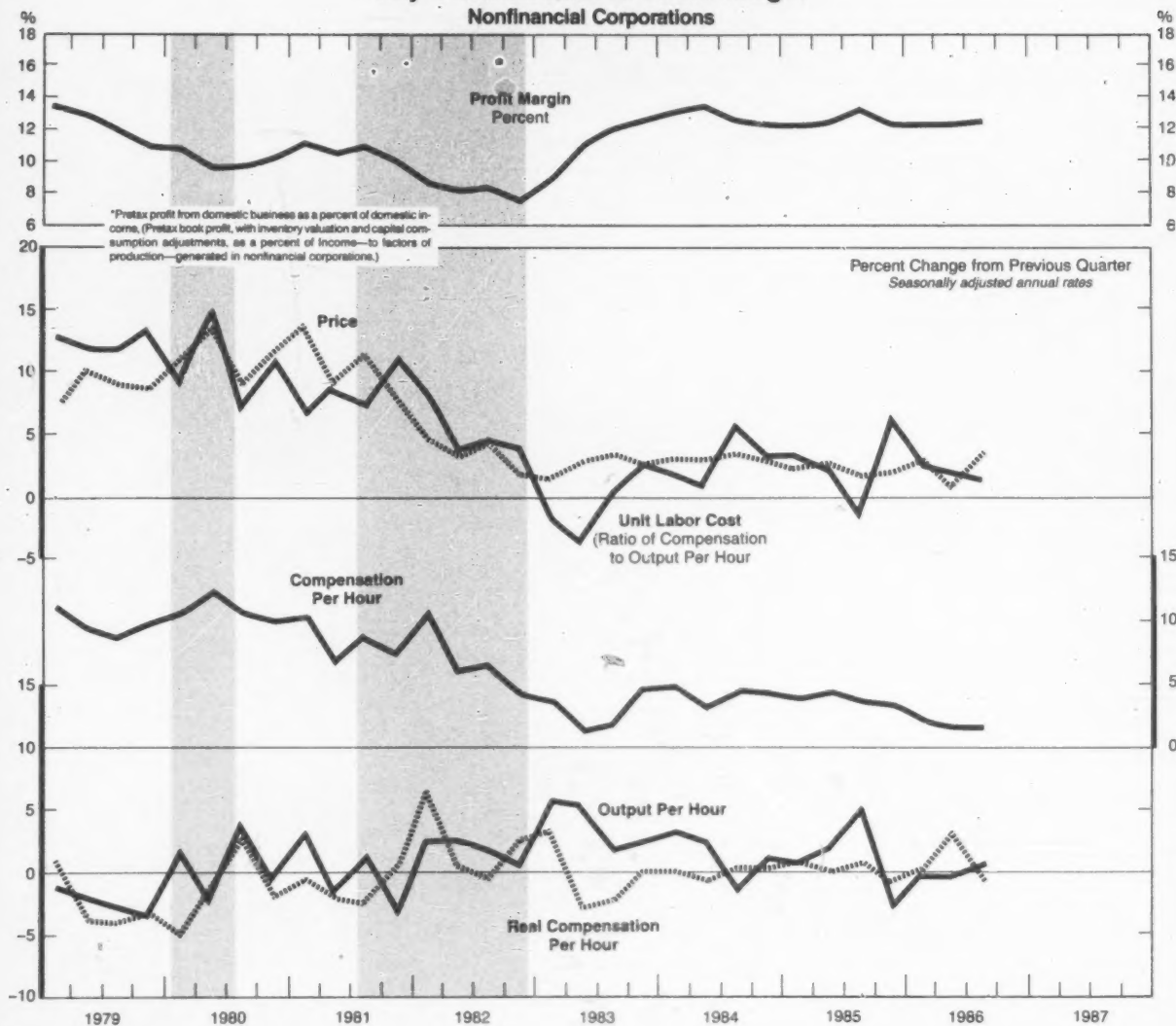
* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments).



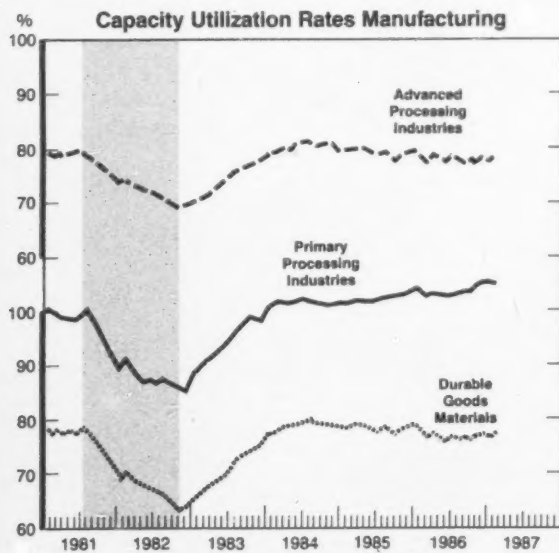
* Source of Forecast is The Energy Information Administration; Department of Energy.

Key Determinants of Profit Margin

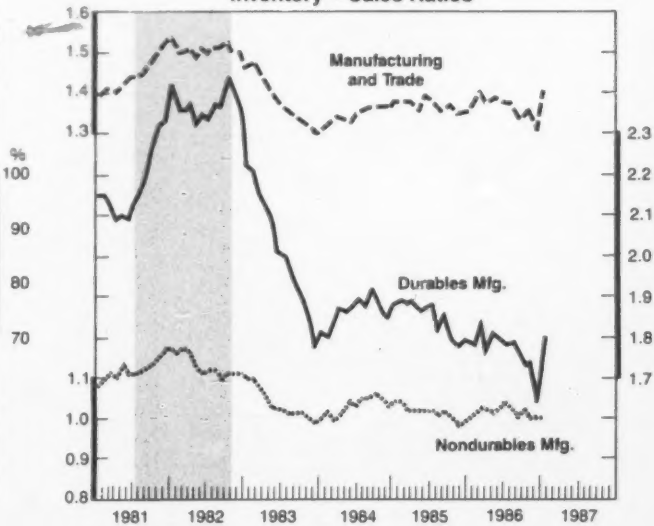
Nonfinancial Corporations



Capacity Utilization Rates Manufacturing



Inventory - Sales Ratios



ECONOMIC FORECASTS

		U.C.L.A. ² Business Forecasting Project		Merrill Lynch ² Economics Inc.		E.I. duPont ¹ de Nemours & Co.		Georgia State University ²	
Date of Forecast		Mar., 1987		Mar., 1987		Mar., 1987		Mar., 1987	
		Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change
Gross National Product Billions of Current Dollars									
Actual	1986 IV	\$4258.7	1.7%	\$4258.7	1.7%	\$4258.7	1.7%	\$4258.7	1.7%
	1987 I	4338.9	7.7	4332.4	7.1	4342.0	7.9	4336.0	7.5
	II	4413.6	7.1	4386.9	5.1	4428.8	8.2	4410.0	7.0
	III	4498.3	7.9	4461.5	7.0	4525.3	9.0	4475.0	6.0
	IV	4579.9	7.5	4542.3	7.4	4624.1	9.0	4549.0	6.8
	1988 I	4670.0	8.1	4630.3	8.0	4700.1	8.7	4628.0	7.1
	II	4742.8	6.4	4715.0	7.5	4779.7	8.9	4709.0	7.2
	III	4811.3	5.9	4803.2	7.7	4848.8	5.9	4784.0	6.5
	IV	4882.6	6.1	4894.1	7.8	4918.4	5.9	4857.0	6.2
	1989 I	4964.2	6.9			4988.3	5.8		
	1987 Annual	4457.7	6.0	4430.8	5.3	4480.1	6.5	4442.5	5.6
	1988 Annual	4776.7	7.2	4760.7	7.4	4811.8	7.4	4744.5	6.8
Gross National Product Billions of Constant (1982) Dollars									
Actual	1986 IV	\$3696.1	1.1%	\$3696.1	1.1%	\$3696.1	1.1%	\$3696.1	1.1%
	1987 I	3733.3	4.1	3720.6	2.7	3727.0	3.1	3725.0	3.2
	II	3772.1	4.2	3736.3	1.7	3766.0	4.3	3753.0	3.0
	III	3813.7	4.5	3760.9	2.7	3806.0	4.3	3770.0	1.8
	IV	3854.7	4.4	3789.7	3.1	3847.0	4.4	3791.0	2.2
	1988 I	3894.8	4.2	3816.0	2.8	3878.0	3.3	3815.0	2.6
	II	3917.7	2.4	3840.8	2.6	3905.0	2.8	3841.0	2.8
	III	3934.4	1.7	3866.7	2.7	3923.0	1.9	3861.0	2.1
	IV	3957.4	2.4	3894.4	2.9	3941.0	1.8	3876.0	1.6
	1989 I	3982.1	2.5			3959.0	1.8		
	1987 Annual	3793.5	3.2	3751.9	2.1	3786.5	3.0	3759.8	2.3
	1988 Annual	3926.1	3.5	3854.5	2.7	3911.8	3.3	3848.3	2.4
Gross National Product deflator Index, 1982 = 100									
Actual	1986 IV	115.2	.6%	115.2	.6%	115.2	.6%	115.2	.6%
	1987 I	116.2	3.5	116.4	4.3	116.5	4.6	116.4	4.2
	II	117.0	2.7	117.4	3.4	117.6	3.8	117.5	3.8
	III	118.0	3.3	118.6	4.2	118.9	4.3	118.7	4.1
	IV	118.8	3.0	119.9	4.2	120.2	4.4	120.0	4.4
	1988 I	119.9	3.7	121.3	5.0	121.2	3.4	121.3	4.5
	II	121.1	3.9	122.8	4.8	122.4	4.0	122.6	4.3
	III	122.3	4.1	124.2	4.8	123.6	4.0	123.9	4.3
	IV	123.4	3.6	125.7	4.8	124.8	3.9	125.3	4.6
	1989 I	124.7	4.2			126.0	3.9		
	1987 Annual	117.5	2.7	118.1	3.2	118.3	3.4	118.2	3.2
	1988 Annual	121.7	3.5	123.5	4.6	123.0	4.0	123.3	4.3
Unemployment Rate									
Actual	1986 IV		6.8%		6.8%		6.8%		6.8%
	1987 I		6.7		6.7		6.7		6.7
	II		6.6		6.8		6.6		6.6
	III		6.5		6.8		6.6		6.6
	IV		6.3		6.8		6.5		6.6
	1988 I		6.1		6.7		6.6		6.5
	II		5.9		6.7		6.7		6.4
	III		5.9		6.7		6.8		6.4
	IV		5.9		6.6		6.9		6.4
	1989 I		5.9				7.0		
	1987 Annual		6.5		6.8		6.6		6.6
	1988 Annual		5.9		6.7		6.8		6.4

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

¹Based on revised fourth quarter data.

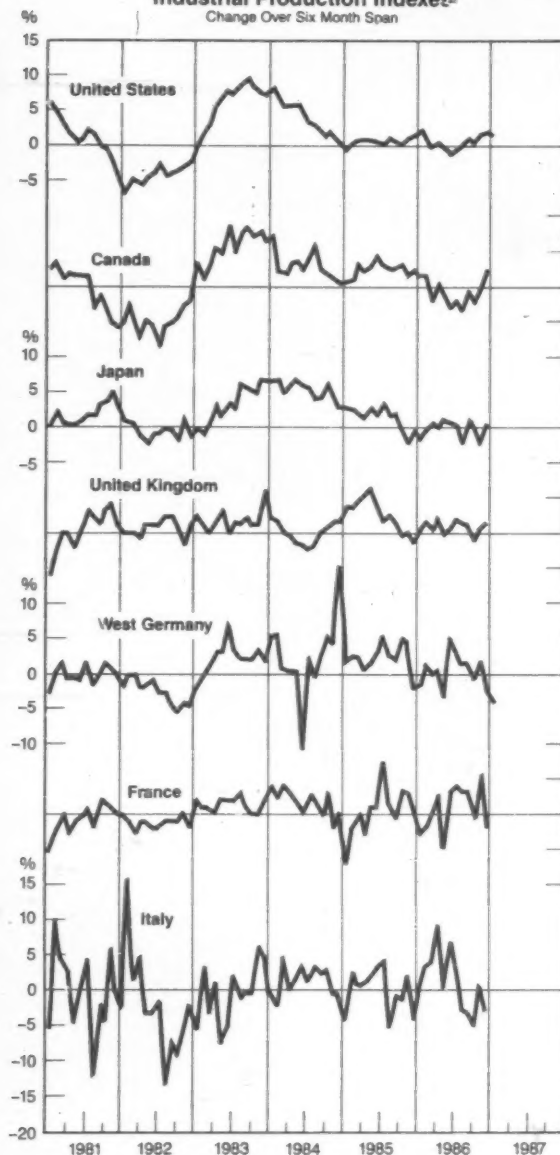
ECONOMIC FORECASTS (continued)

The Conference Board ²		Chase Econometric ³ Associates, Inc.		Data Resources Inc. ³		Wharton E.F.A. Inc. ²		Date of Forecast		
Mar., 1987		Mar., 1987		Mar., 1987		Mar., 1987				
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
Gross National Product Billions of Current Dollars										
\$4258.7	1.7%	\$4258.7	1.7%	\$4258.7	1.7%	\$4258.7	1.7%	IV	1986	Actual
\$4327.0	8.6	4338.3	7.7	4335.7	7.4	4343.5	8.2	I	1987	
4400.0	8.9	4389.2	4.8	4399.6	6.0	4412.3	6.5	II		
4476.0	7.1	4448.7	5.5	4475.3	7.1	4493.9	7.6	III		
4551.0	8.9	4512.6	5.9	4547.6	6.6	4580.4	7.9	IV		
4619.0	6.1	4580.9	6.2	4629.1	7.4	4674.3	8.5	I	1988	
4686.0	5.9	4653.9	6.5	4694.4	5.8	4764.2	7.9	II		
4767.0	7.1	4729.4	6.6	4756.4	5.4	4853.9	7.7	III		
4845.0	6.7	4812.3	7.2	4822.4	5.7	4942.6	7.5	IV		
		4895.6	7.1	4900.0	6.6	5034.9	7.7	I	1989	
4438.5	5.5	4422.2	5.1	4439.6	5.6	4457.5	6.0	Annual	1987	
4729.3	6.6	4694.1	6.1	4725.6	6.4	4808.8	7.9	Annual	1988	
Gross National Product Billions of Constant (1982) Dollars										
\$3696.1	1.1%	\$3696.1	1.1%	\$3696.1	1.1%	\$3696.1	1.1%	IV	1986	Actual
3727.0	3.4	3725.6	3.2	3730.4	3.8	3727.1	3.4	I	1987	
3757.5	3.3	3742.0	1.8	3759.2	3.1	3750.8	2.6	II		
3783.6	2.8	3760.3	2.0	3793.6	3.7	3780.7	3.2	III		
3805.2	2.3	3785.5	2.7	3827.7	3.6	3813.9	3.6	IV		
3823.7	2.0	3811.7	2.8	3862.1	3.6	3850.2	3.9	I	1988	
3841.0	1.8	3836.0	2.6	3881.0	2.0	3881.8	3.3	II		
3863.0	2.3	3864.3	3.0	3894.9	1.4	3909.8	2.9	III		
3882.0	2.0	3895.8	3.3	3916.3	2.2	3934.8	2.6	IV		
		3920.0	2.5	3940.7	2.5	3959.1	2.5	I	1989	
3768.3	2.5	3753.4	2.1	3777.7	2.8	3768.1	2.5	Annual	1987	
3852.4	2.2	3852.0	2.6	3888.6	2.9	3894.2	3.3	Annual	1988	
Gross National Product deflator Index, 1982 = 100										
115.2	.6%	115.2	.4%	115.2	.5%	115.2	.6%	IV	1986	Actual
116.1	3.1	116.4	4.3	116.2	3.5	116.5	4.7	I	1987	
117.1	3.5	117.3	3.0	117.0	2.8	117.6	3.8	II		
118.3	4.2	118.3	3.5	118.0	3.2	118.9	4.2	III		
119.6	4.5	119.2	3.1	118.8	2.9	120.1	4.2	IV		
120.8	4.1	120.2	3.3	119.9	3.6	121.4	4.4	I	1988	
122.0	4.0	121.3	3.9	121.0	3.7	122.7	4.4	II		
123.4	4.7	122.4	3.6	122.1	3.9	124.1	4.7	III		
124.8	4.6	123.5	3.8	123.1	3.4	125.6	4.8	IV		
		124.9	4.5	124.3	4.0	127.2	5.1	I	1989	
117.8	2.9	117.8	2.9	117.5	2.7	118.3	3.4	Annual	1987	
122.8	4.2	121.9	3.4	121.5	3.4	123.5	4.4	Annual	1988	
Unemployment Rate										
	6.8%		6.8%		6.8%		6.8%	IV	1986	Actual
6.6		6.7		6.7		6.7		I	1987	
6.4		6.7		6.7		6.7		II		
6.4		6.6		6.6		6.6		III		
6.5		6.6		6.4		6.5		IV		
6.7		6.6		6.3		6.4		I	1988	
6.8		6.6		6.2		6.3		IV		
6.8		6.6		6.2		6.3		III		
6.9		6.6		6.2		6.3		IV		
		6.6		6.3		6.3		I	1989	
6.5		6.7		6.6		6.6		Annual	1987	
6.8		6.6		6.3		6.3		Annual	1988	

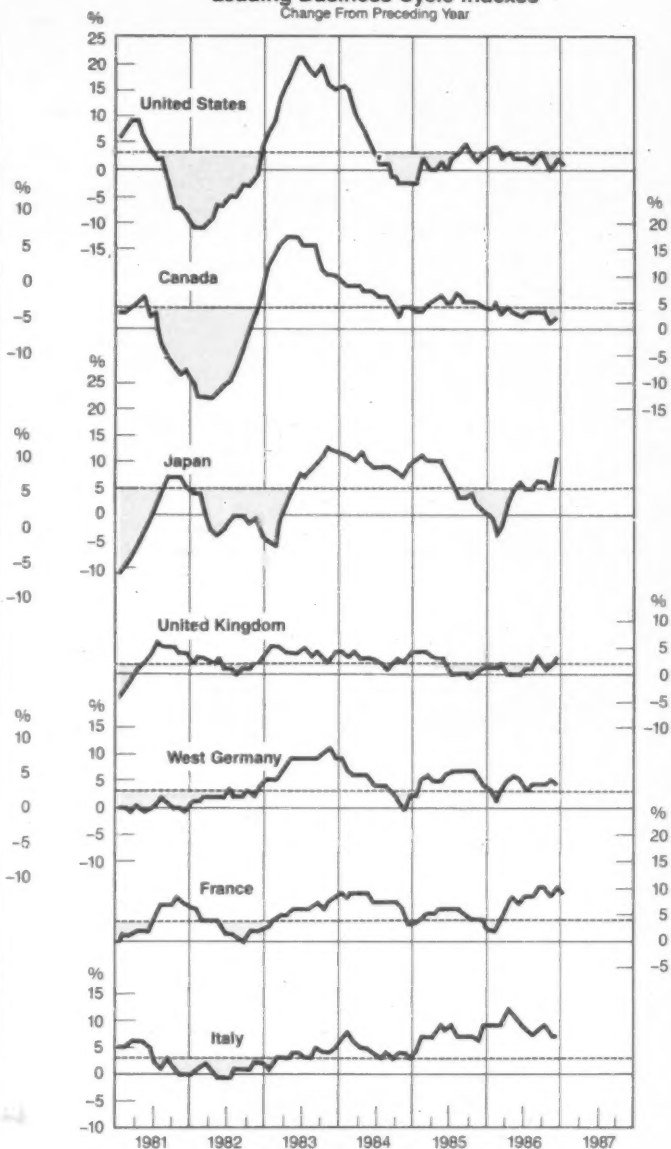
Please Note: In the interest of speeding the data contained in this publication to you, these series are available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

Selected International Comparisons

Industrial Production Indexes
Change Over Six Month Span



Leading Business Cycle Indexes
Change From Preceding Year



Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports

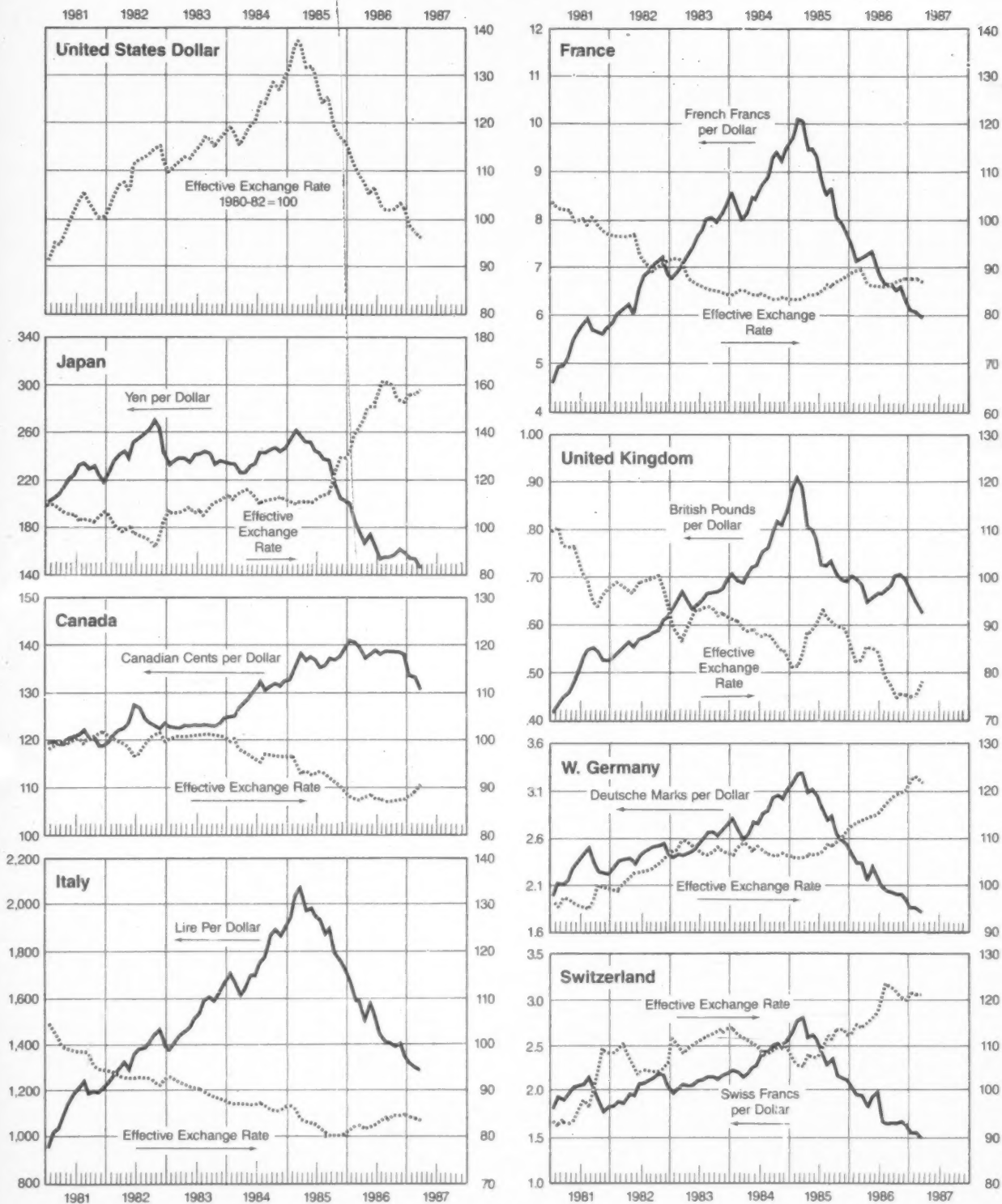


Raw Materials Prices



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note.: Nominal Effective Exchange Rates: index numbers 1980-82 = 100. Each index shows a currency's trade-using averages weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

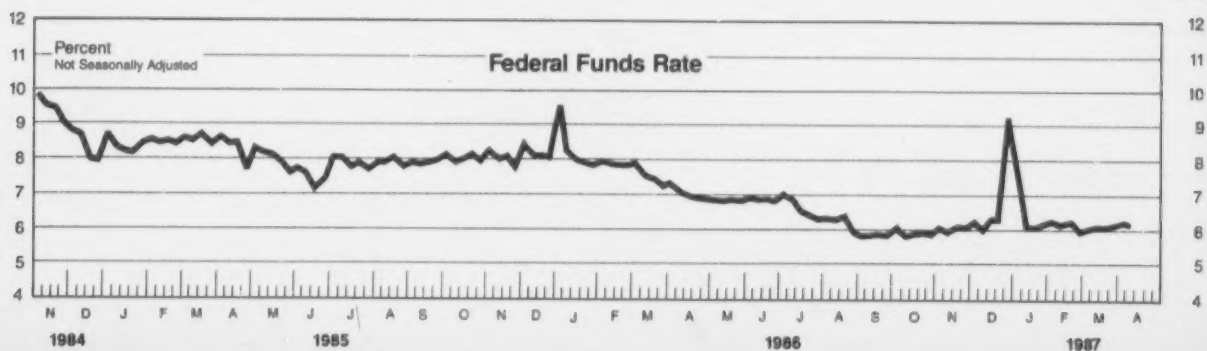
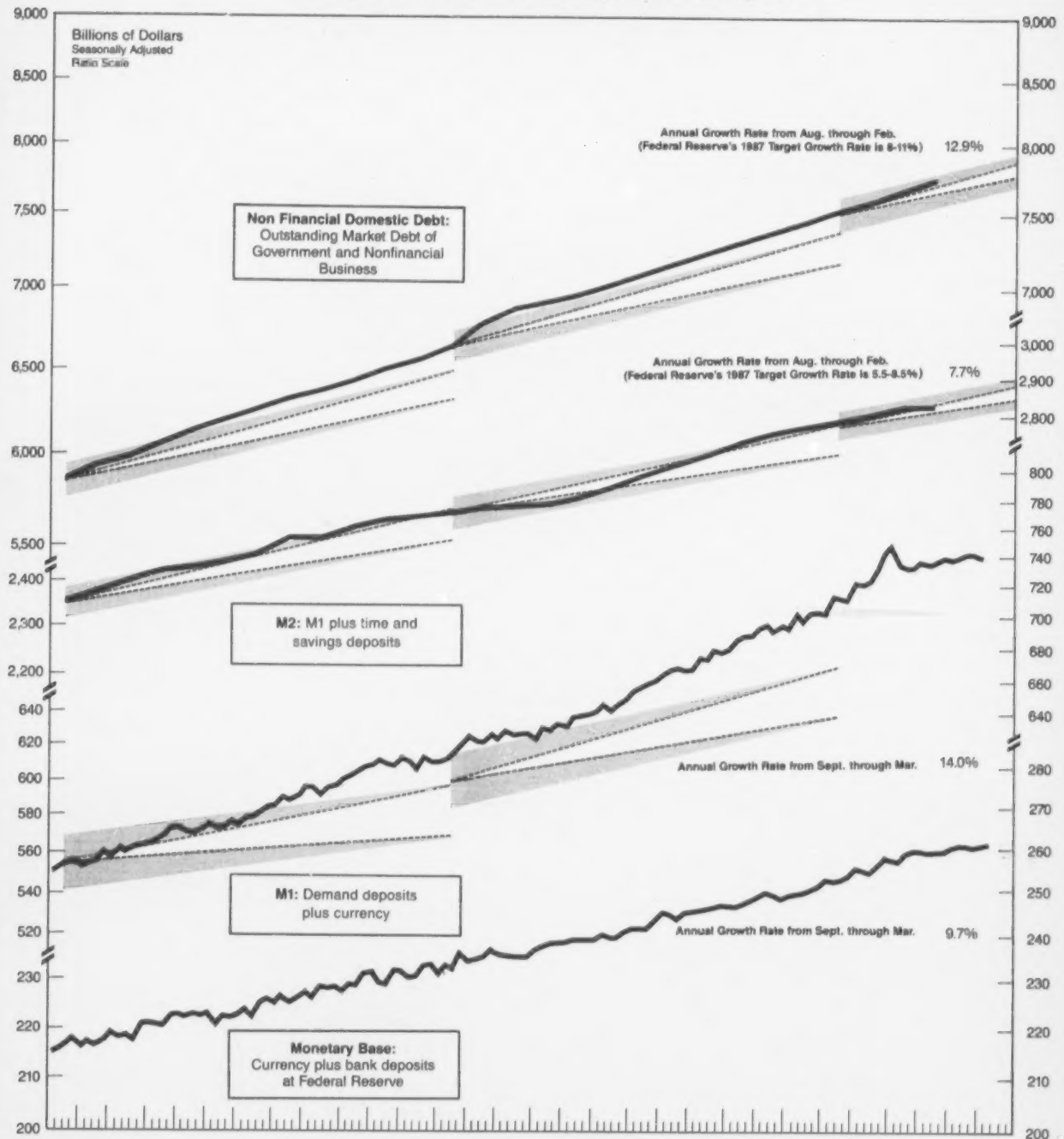
PERSPECTIVE ON THE FEDERAL BUDGET (Billions of Current Dollars)

	Fiscal 1986	Fiscal 1987		Fiscal 1988
	Actual	Administration's Latest Estimate	Congress's Latest Estimate	Congress's Latest Estimate
		(1/5/87)	(2/19/87)	(2/19/87)
Receipts	\$769.1	\$842.4	\$834.2	\$ 905.4
Outlays	989.8	1,015.6	1,010.4	1,039.8
Deficit	-220.7	-173.2	176.2	-134.4
Receipts by source	\$769.1	\$842.4	\$834.2	\$ 905.4
Individual income	349.0	364.0	361.3	381.4
Social security	283.9	301.5	300.8	331.8
Corporate income	63.1	104.8	100.6	119.3
Other receipts	73.1	72.1	71.5	73.0
Outlays by function	\$989.8	\$1,015.6	\$1,010.2	\$1,039.8
National defense	273.4	282.2		298.3
Social security	269.0	279.5		298.8
Income security	119.8	124.9		127.2
Health	35.9	39.7		40.8
Education & manpower	29.7	29.8		28.5
Veterans benefits	26.4	26.7		26.7
Transportation	28.1	27.0		27.0
Agriculture	31.4	31.1		24.9
International affairs	14.2	14.6		16.6
Natural resources	13.6	13.9		14.1
General science	5.5	9.5		11.2
Justice	6.6	8.3		9.2
General government	6.1	6.8		7.7
Community development	7.5	6.2		5.2
Commerce, Housing credit	4.4	9.3		4.3
Energy	4.7	3.8		3.3
Revenue sharing	6.4	1.9		1.5
Interest	136.0	137.5		139.0
Allowances	0.0	0.0		- 1.2
Offsetting receipts	- 33.0	- 37.1		- 43.5

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP			
Current Dollar	\$4,218.0	\$4,493.0	\$4,816.0
Constant (1982) Dollar	3,681.0	3,794.0	3,928.0
Percent change in			
Current dollar	5.5%	6.5%	7.2%
Constant (1982) dollar	2.7	3.1	3.5
Implicit price index	2.8	3.3	3.5
Consumer price index	1.6	3.0	3.6
91-Day T bill rate	6.0	5.4	5.6
Unemployment rate	6.9	6.7	6.3

Money Supply and Monetary Growth Targets



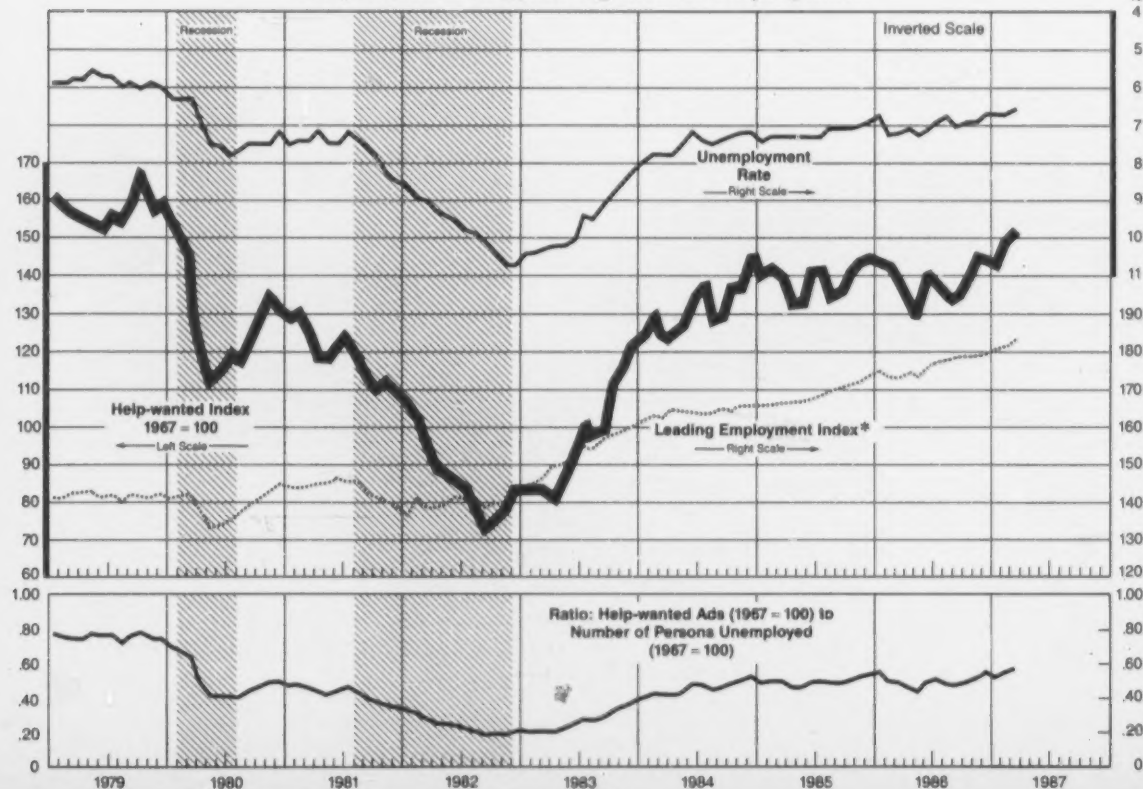
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

Locality	1987		1986			1987		1986	
	Feb.	Jan.	Dec.	Feb.		Feb.	Jan.	Dec.	Feb.
National Index	148	142	144	142					
New England	177	165	168	157	Charlotte	185	188	171	154
Boston	180	168	164	169	Jacksonville	218	214	233	203
Hartford	189	170	187	154	Miami	102	96	89	86
Providence	158	150	163	117	Richmond	173	137	147	133
					Washington, D.C.	207	179	196	188
Middle Atlantic	84	78	82	74	East South Central	168	173	152	164
Albany	199	189	175	169	Birmingham	174	176	164	176
Allentown	312	279	338	207	Knoxville	262	249	233	202
New York	N.A.	56	58	58	Louisville	86	93	92	85
Philadelphia	73	69	75	62	Memphis	141	143	120	153
Pittsburgh	98	92	91	87	Nashville	238	256	201	236
Rochester	100	91	94	92					
Syracuse	141	136	140	130	West South Central	160	159	185	206
East North Central	101	92	102	92	Dallas	151	154	173	270
Chicago	113	98	113	93	Houston	222	216	218	251
Cincinnati	156	148	185	148	New Orleans	118	112	108	102
Cleveland	64	59	65	63	Okiahoma City	99	101	106	119
Columbus	180	174	172	154	San Antonio	143	146	137	183
Dayton	83	75	79	82	Tulsa	114	123	133	137
Detroit	60	55	58	73	Mountain	305	288	297	306
Gary	153	163	150	117	Denver	195	194	194	194
Indianapolis	112	101	117	93	Phoenix	437	411	405	455
Milwaukee	69	66	68	60	Salt Lake City	333	296	346	313
Toledo	132	126	127	139	Pacific	236	225	217	211
West North Central	94	96	98	101	Los Angeles	172	159	148	158
Kansas City	133	152	181	199	Sacramento	447	465	419	380
Minneapolis	84	81	79	71	San Bernadino	304	291	263	245
Omaha	128	131	116	112	San Diego	542	523	531	474
St. Louis	70	67	62	70	San Francisco	221	210	214	198
					Seattle	216	211	205	199
South Atlantic	199	201	202	193	Percentage of papers				
Atlanta	268	267	263	294	with rising volume	73	47	45	43
Baltimore	198	270	254	214	Unemployment rate	6.7	6.7	6.7	7.3

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
 r—revised N.A.—not available

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1984	105.0	102.0	102.9	103.8	102.0	103.7	98.5	101.6	102.4	101.7	106.1	98.7
1985	103.0	104.0	98.0	101.0	96.6	100.0	101.2	99.6	98.9	99.3	98.7	99.8
1986	97.6	97.3	97.6	95.4	97.9	97.1	95.7	91.1	92.2	89.8	89.8	93.6
1987	86.0	93.2r	98.1p									

Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	104.5	104.4	103.1	124.7	109.0	111.3	107.2	108.2	105.3	98.8	93.0	103.6
1987	98.9	93.1r	96.1p									

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary

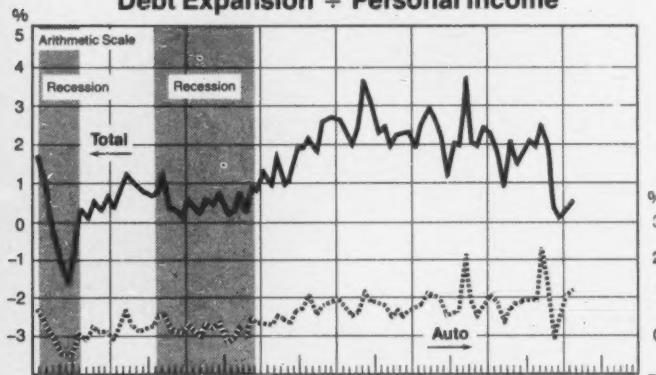
Consumer Confidence and Expectations



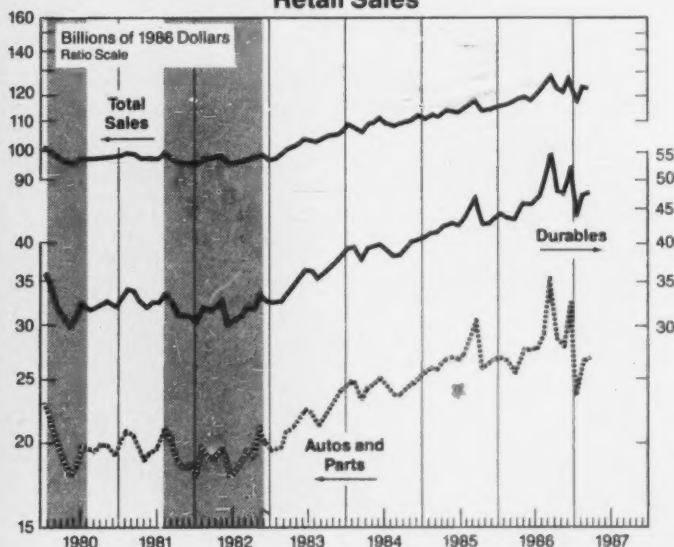
CBDB

ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes, in LOTUS and other formats. Contact Linette Waters: 800-US-BOARD; in NYC, (212) 759-0900.

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



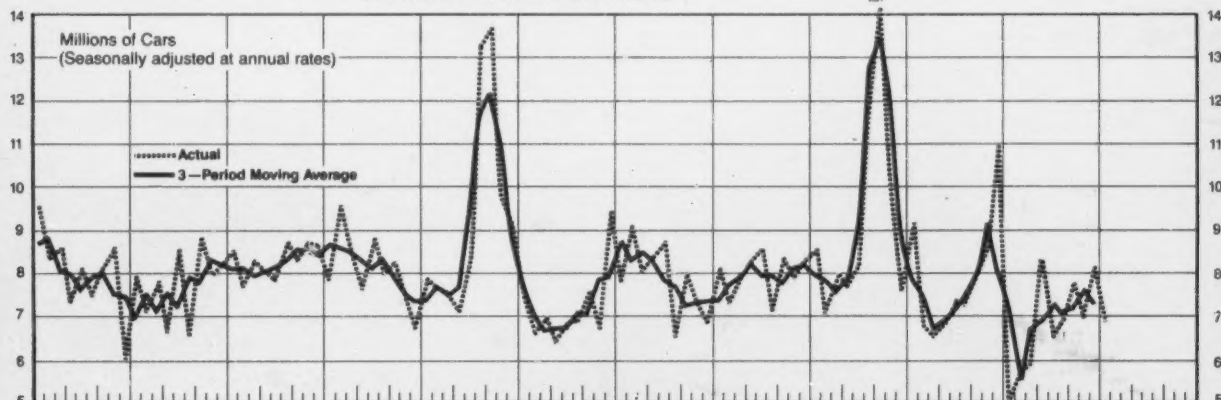
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

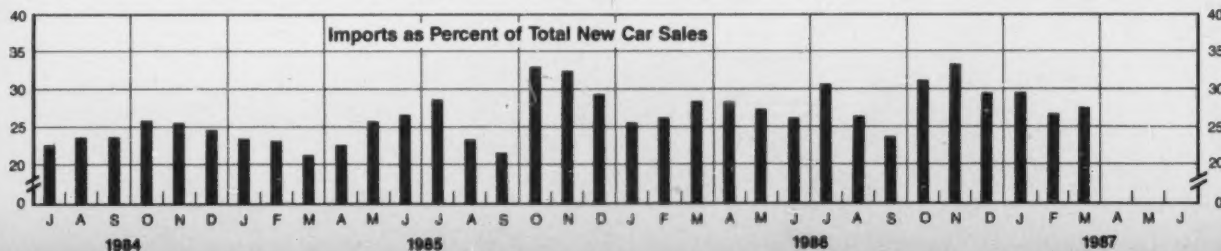
Periods	1984	1985	1986	1987
January: 1-10	8.16	8.46	7.76	4.78
11-20	7.84	7.66	9.05	5.71
21-31	9.15	8.23	8.02	5.95
February: 1-10	7.79	8.01	8.36	8.26
11-20	9.17	7.84	8.71	6.46
21-28(29)	7.60	8.69	6.47	6.87
March: 1-10	7.35	8.27	7.93	7.76
11-20	8.13	8.73	7.23	6.95
21-31	7.35	8.67	6.81	8.13
April: 1-10	8.88	7.84	8.06	6.85
11-20	7.96	9.48	7.25	
21-30	8.60	8.42	7.92	
May: 1-10	8.19	7.60	8.30	
11-20	7.74	8.78	8.57	
21-31	8.43	7.96	7.09	
June: 1-10	7.22	8.21	8.27	
11-20	8.25	7.51	7.84	
21-30	8.10	6.71	8.30	
July: 1-10	9.51	7.81	8.50	
11-20	8.32	7.63	7.03	
21-31	8.59	7.57	7.96	
August: 1-10	7.33	7.09	7.64	
11-20	8.07	8.30	8.19	
21-31	7.43	13.23	11.65	
September: 1-10	8.13	13.64	18.67	
11-20	8.52	9.70	9.87	
21-30	6.03	9.10	7.58	
October: 1-10	7.83	7.40	9.07	
11-20	7.07	6.57	6.72	
21-31	7.70	6.92	6.51	
November: 1-10	6.60	6.40	6.80	
11-20	8.44	6.81	7.32	
21-30	6.57	6.91	7.23	
December: 1-10	8.75	7.56	7.95	
11-20	7.96	6.69	8.54	
21-31	8.19	9.31	10.93	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales



Imports as Percent of Total New Car Sales



6/24/87 R4105-3A

171790000001 0000
Statistical Reference Index
Acquisitions
520 East West Highway - Suite 800
Bethesda, MD 20814

STATISTICAL BULLETIN

Highlights

- * LABOR MARKET ACTIVITY IS PICKING UP
- * CONSUMER DEMAND MAINTAINS MOMENTUM
- * EXCEPT FOR CARS AND HOMES
- * IMPORTS ARE SLOWING WHILE EXPORTS ARE GROWING
- * BUT NEW ORDERS HAVE WEAKENED
- * AND INDUSTRIAL CONDITIONS HAVE WEAKENED
- * INVENTORY BUILDUP MAY BE UNDER WAY
- * OUTLOOK * 3% GROWTH IN THE THIRD QUARTER, AFTER A 2% RISE IN THE SECOND QUARTER

Volume 20, No. 5, May, 1987

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The Conference Board



THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: Some of the recent economic news has been decidedly downbeat. Indeed, the April consensus of the **Economic Forecasts** for real GNP for the second quarter was revised to a sluggish seasonally-adjusted 2% annual rate—down from a 3.1% estimate only one month earlier. The consensus forecast is that growth will quicken to about a 3% rate in the third quarter.

Certainly high on the list of positive factors is the evidence that imports have levelled off and that export growth, albeit modest, has resumed. Higher prices for imports, due to a lower dollar, may be one reason for the stifled import growth. Export growth, however, is limited by weak economic growth abroad.

Other positive factors include the continued confidence of top business leaders and a rise in labor demand. Those extra jobs translate to added income, which in turn should help maintain expanding consumer demand. Finally, confident business leaders may decide later this year to expand capital investment.

DOMESTIC MARKET MONITOR

Labor-market conditions appear brighter now than at anytime since early in this long (5-year) expansion period. Still, the drop to a 6.3% unemployment rate in April, from 6.7% only two months ago, overstate the case. Except for adult white women, the labor force contracted over the last 3 months. If labor-force growth had maintained its trend, the improvement in the unemployment rate would have been less dramatic.

While employment has been rising, the average work-week declined. As a result, total hours worked in manufacturing were 0.9% lower in April than 3 months earlier. Employers, it seems, have stopped paying overtime and hired more workers. That's a sign of confidence in continued economic growth.

As indicated by the rise in The Conference Board's **Help-wanted Index**, more new hiring is likely. The index rose to 150 (1967=100) in March, up from 142 in January. Responses to the April survey show that this measure of labor demand continues to run well above last year's level.

INCOME: Hourly wage rates continue to rise modestly. The average hourly rate in private industry was 2 cents higher in April than 2 months earlier. Over the last 12 months, however, it only rose by 16 cents.

Income growth from wages remained vigorous in March. Wages in commodity-producing industry were 0.8% higher in March than 3 months earlier. The rise in other industries was 2.2% higher. The cut in overtime pay in April, however, may result in a little less wage growth.

Nonwage income growth shows no sign of slowing. Interest income and rents are rising a little faster now while shopkeepers' income and dividends continue to rise sharply. Altogether, nonwage income was 1.7% higher in March than 3 months earlier.

Consumer-credit demand was weak even before loan rates starting moving up. The net rise in installment debt was no higher in March than in prior months. And consumers actually paid off more auto debt than they took on in March. Auto Sales in April were equal to those posted in March.

Prompted by concerns about job availability, consumer attitudes fell sharply in April. But subsequent reports on job growth may quiet some of those jitters.

SPENDING: Consumer buying has remained quite strong. Retail sales, except autos, were 3.2% higher in March than 3 months earlier. Over the prior 3 months, nonauto retail sales were only 1.5% higher.

Despite the reintroduction of incentives, new domestic **Automobile Sales** were slower in April than in late Summer, 1986—or before the last big promotion campaigns. Given the slow pace of car sales, and the glut of unsold cars, production is likely to be scaled back.

CONSTRUCTION: The second area of weak consumer demand is housing. The decline in new single-family home sales in March wiped out all the recovery that occurred since November. Given sluggish sales and a high building pace, the inventory of unsold homes has mushroomed. Mortgage rates, which had been falling, are now rising. That suggests that housing demand may continue to be weak.

Homebuilders are cutting back. Single-unit starts were only 1% higher in March than 3 months earlier but building permits were 3.1% lower. Multi-unit starts declined in 1986 and continued to slump in early 1987.

Nonresidential construction remains weak. Private building fell again and only public spending on roads and sewers expanded in March.

Ken Goldstein, Editor

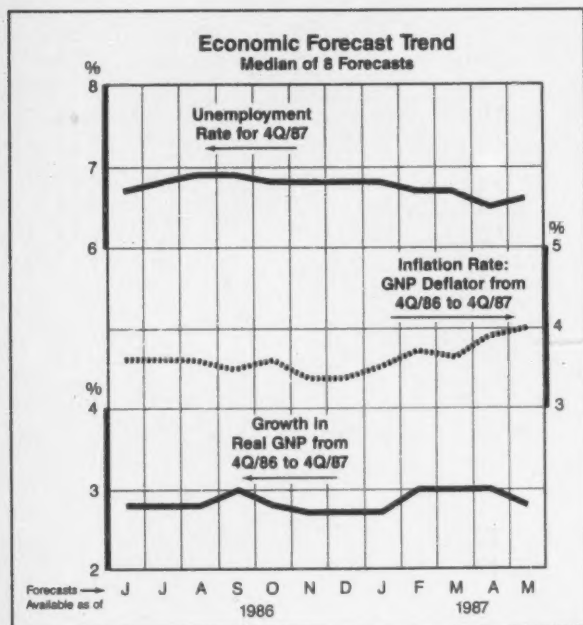
STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.

© 1987 The Conference Board, Inc.
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New York, New York 10022

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PRODUCTION: Industrial output was no higher in March than 3 months earlier. Raw material output was flat, while semi-finished output was marginally lower. Production of finished goods fell; business equipment and defense- and space-related output expanded. Moreover, data on hours worked in April suggest that overall production probably fell.

With industry producing less and scheduling fewer overtime hours, plant and equipment is once again idle. The overall capacity-utilization rate had moved from 79% in October to 79.7% in February, but then fell to 79.2% in March. And indications are that it probably declined again in April.

Industrial conditions have weakened as new orders decline. Despite 2 months of modest increases, durable-goods orders were still 0.2% lower in March than in January. Moreover, the only modest increases were confined to defense materiel. Nondefense orders were 2.3% lower in March than 3 months earlier.

INVENTORY: With the exception of unsold cars, inventory remains flat. Unsold cars at the retail level rose by 16.7% over the last 2 months.

The downturn in industrial conditions may signal where the economy is rather than where it's going. Increased hiring suggests business leaders remain confident that favorable economic conditions will continue. This attitude is reflected in the latest reading from The Conference Board's **Measure of Business Confidence**, which climbed to 55 (on a scale of 0 to 100) in the first quarter of 1987—from a level of 50 in the second half of 1986.

INFLATION: After remaining flat for 4 months, commodity prices rose 3.1% in April, despite sluggish business demand for more raw material. That could be another signal that weak industrial conditions are viewed as temporary.

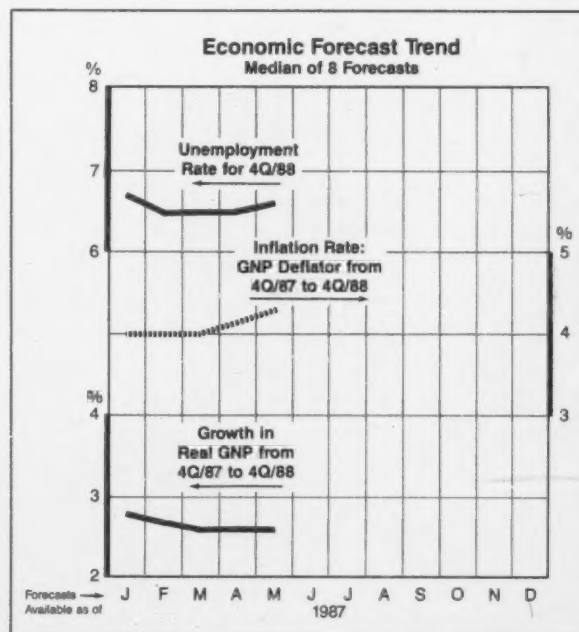
Prices at the wholesale level are rising modestly. Raw food prices were unchanged in March, following a 0.9% rise in February. Energy prices rose by about 1% in each month. Nonfood, nonenergy raw material prices rose 0.2% in March, following somewhat higher increases in the prior 2 months. Faster increases in raw commodity prices should begin to affect the wholesale level as well.

INTERNATIONAL MONITOR

Imports overall have remained flat over the last 5 months. Manufactured imports, however, were 12.6% lower in February than 3 months earlier. Conversely, total exports were 1.3% higher in February than 3 months earlier. Nevertheless, manufactured exports were just slightly higher in February, 1987 than a year ago.

The dollar decline to date certainly doesn't hurt exporting efforts. However, rising costs have offset some the drop in the dollar. Indeed, the total index for export prices was no lower in the first quarter of 1987 than in the first quarter of 1985.

Ken Goldstein

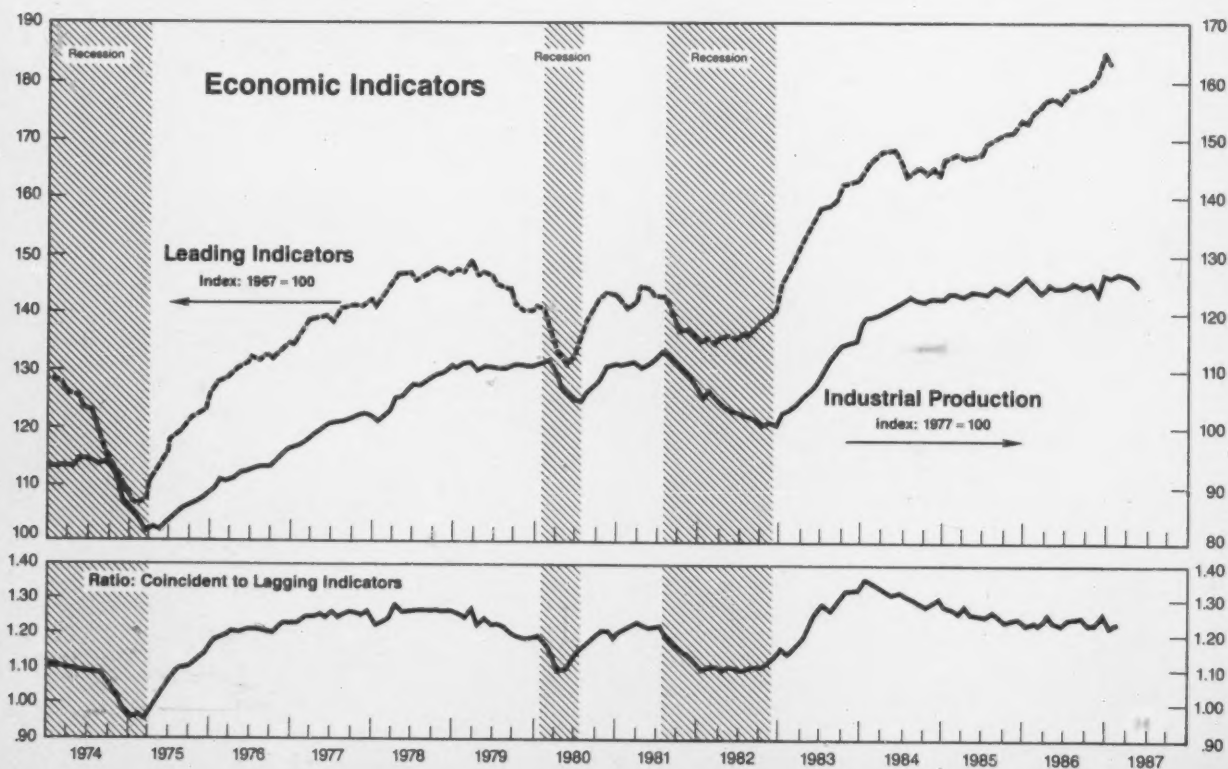


STATUS OF LEADING ECONOMIC INDICATORS

		Rising (Classification based on movement of series over several months)	Level	Declining	Change over Latest Three Months	Change from Year-Ago
Leading Economic Indicators	Mar.	X			0.4%	6.3%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Mar.		X		- 0.4%	9.1%
New orders, nondefense capital goods (deflated)	Mar.		X		- 1.0%	9.0%
*New business formation	Mar.	X			1.1%	1.3%
*Housing permits	Mar.			X	- 7.6%	- 3.8%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Mar.		X		- 0.5%	7.2%
*Change in inventory, on hand & order (deflated)	Feb.	X			32.3%	1.7%
Purchasing agents' buying policy	Mar.		X		8.0%	11.0%
*Vendor performance, reported slower deliveries	Apr.	X			2.0%	7.0%
Industrial raw materials prices	Apr.		X		- 0.2%	14.7%
*Change in sensitive material prices	Mar.			X	- 1.9%	0.2%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Mar.			X	- 0.6%	5.5%
Change in business loans	Mar.			X	-102.9%	6.6%
*Change in credit outstanding	Feb.			X	- 4.1%	- 3.4%
Change in consumer installment debt	Mar.			X	- 2.5%	-29.4%
Profitability						
Total corporate profits, after tax (deflated)	Apr.	X			6.0%	1.3%
*Common stock prices	Apr.	X			9.8%	22.0%
Marginal Employment Adjustments						
*Average workweek, mfg.	Apr.			X	- 0.5hr	- 0.2hr
*Initial unemployment claims (inverted)	Mar.	X			4.2%	13.2%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1986		1987		
	Mar.	Dec.	Jan.	Feb.	Mar.(e)
Principal Diffusion Index	50.2	56.0r	56.0r	59.0r	60.4
Auxiliary Diffusion Index	37.3	49.1r	49.9r	59.8r	54.5
Industrial Group	49.3	56.7	51.0r	55.1r	54.6
Nonindustrial Group	51.1	55.4r	61.0r	62.9r	66.2
Sense of Diffusion	0	1	1	1	1

SUBGROUP DIFFUSION INDEXES

Industrial Subgroups

Production	59.4	67.9	57.7r	59.0r	49.6
Labor	45.3	55.1	52.4r	56.0r	57.2
Miscellaneous	44.2	43.6	37.2	46.8	55.8

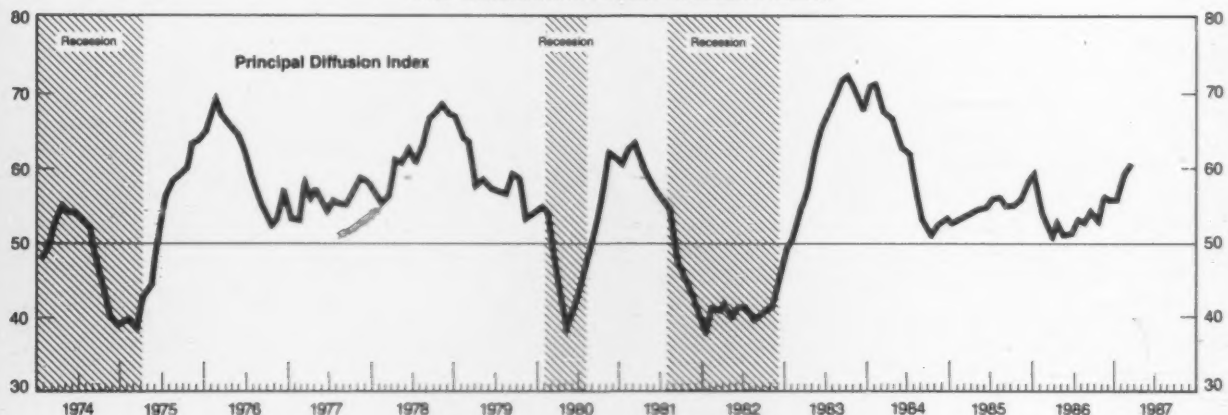
Nonindustrial Subgroups

Prices	54.5	71.8	76.9	73.7	78.2
Consumer	59.4	62.4r	63.2r	68.8r	73.9
Building	42.0	37.8	47.4r	48.7r	50.0
Miscellaneous	46.6	49.1	57.3	59.4r	61.1

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1984			1985				1986				1987
	May	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.
Score (scale 0-100)												
Measure of Business Confidence	65	61	57	61	52	51	55	61	61	50	51	55
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	75	70	57	62	48	45	53	63	61	44	50	56
2. Expectations for Economy, Six Months Ahead	60	57	57	61	53	53	56	62	62	52	51	54
3. Expectations for Own Industry, Six Months Ahead	61	57	58	61	55	54	56	59	60	54	53	56

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

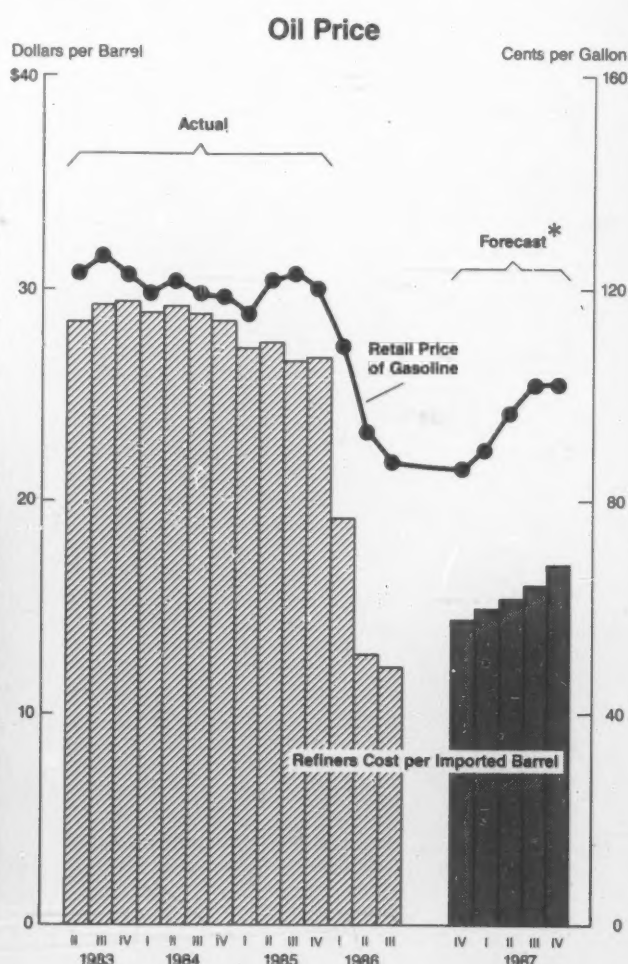
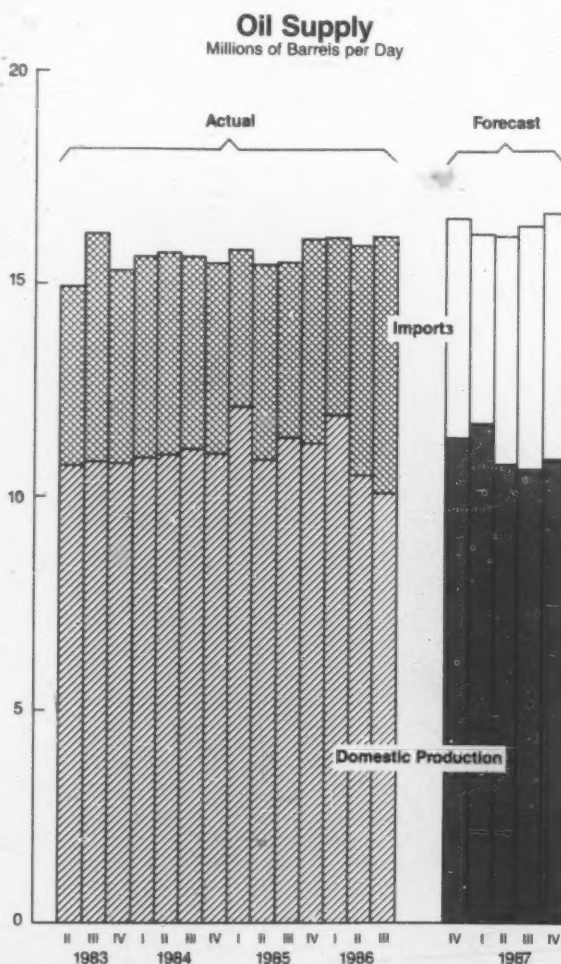
	1985			1986				Percent Change From Previous Year	
	II	III	IV	I	IIr	IIIr	IVp	Actual	Estimate
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	27.560	24.167	27.190	23.386	19.991	20.203	22.692	-18	20
Capital expenditures	24.911	24.730	26.336	23.566	24.309	22.452	23.390	-6	10
Change in appropriations backlog*	+ 0.529	-2.702	-2.594	-2.368	-6.447	-5.060	-10.935		
Durable Goods									
New appropriations	10.910	12.031	12.005	11.613	9.578	10.051	11.722	-16	15.6
Capital expenditures	12.814	12.299	12.676	11.479	11.880	12.186	13.107	-1	7
Change in appropriations backlog*	+ 2.515	-1.094	-3.063	-1.582	-3.824	-3.986	- 3.580		
Nondurable Goods									
New appropriations	16.650	12.136	15.185	11.773	10.413	10.152	10.970	-20	22
Capital expenditures	12.097	12.431	13.660	12.087	12.429	10.266	10.283	-11	11
Change in appropriations backlog*	+ 3.044	-1.608	+ 0.469	-0.786	-2.623	-1.074	- 7.355		
ELECTRIC & GAS UTILITIES									
New appropriations	15.139r	5.093r	8.692r	9.084	5.094	5.044	+ 3		
Capital expenditures	9.366r	9.078r	8.417r	7.425	8.115	7.839	-2.0		
Change in appropriations backlog*	+ 4.662r	-4.984r	-0.261r	+ 1.773	-7.325	-0.028			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised

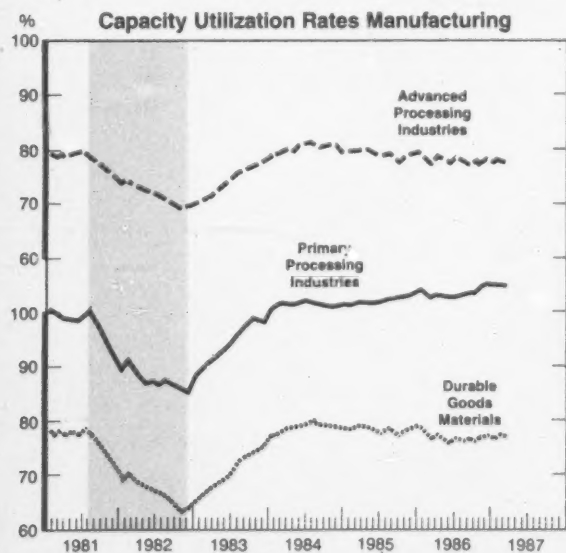
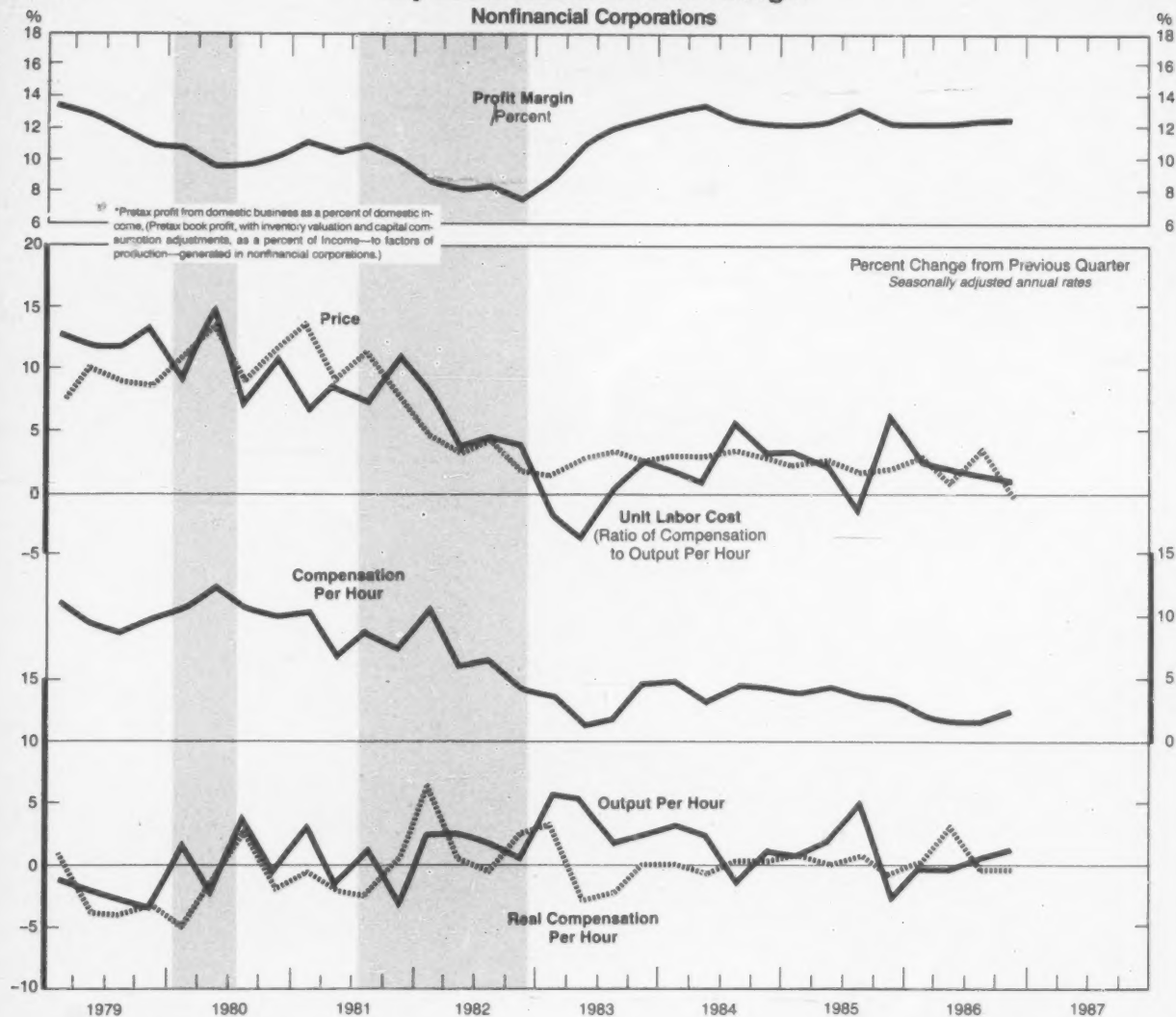
p—preliminary

* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments).



* Source of Forecast is The Energy Information Administration, Department of Energy.

Key Determinants of Profit Margin Nonfinancial Corporations



ECONOMIC FORECASTS

		U.C.L.A. ¹ Business Forecasting Project		Merrill Lynch ¹ Economics Inc.		E.I. duPont ¹ de Nemours & Co.		Georgia State University ¹	
Date of Forecast		Apr., 1987		Apr., 1987		Apr., 1987		Apr., 1987	
		Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change
Gross National Product Billions of Current Dollars									
Actual	1987 I	\$4339.2	7.8%	\$4339.2	7.8%	\$4339.2	7.8%	\$4339.2	7.8%
	II	4408.4	6.5	4392.1	5.0	4415.7	7.2	4404.0	6.1
	III	4499.7	8.5	4463.0	6.6	4499.7	7.8	4481.5	7.2
	IV	4577.2	7.1	4532.7	6.4	4582.4	7.6	4554.7	6.7
	1988 I	4666.3	8.0	4619.5	7.9	4661.9	7.1	4626.8	6.5
	II	4746.4	7.0	4704.6	7.6	4743.6	7.2	4710.2	7.4
	III	4820.1	6.4	4791.3	7.6	4828.4	7.3	4793.8	7.3
	IV	4898.3	6.6	4879.5	7.6	4905.3	6.5	4868.2	6.4
	1989 I	4988.4	7.6			4964.8	4.9		
	II	5071.9	6.9			5027.3	5.1		
	1987 Annual	4456.1	5.9	4431.8	5.4	4459.3	6.0	4444.9	5.7
	1988 Annual	4782.8	7.3	4748.7	7.2	4784.8	7.3	4749.8	6.9
Gross National Product Billions of Constant (1982) Dollars									
Actual	1987 IV	\$3735.2	4.3%	\$3735.2	4.3%	\$3735.2	4.3%	\$3735.2	4.3%
	II	3764.2	3.1	3741.7	0.7	3758.0	2.5	3752.3	1.8
	III	3808.0	4.7	3761.4	2.1	3794.0	3.9	3775.5	2.5
	IV	3843.7	3.8	3779.2	1.9	3825.0	3.3	3792.4	1.8
	1988 I	3880.4	3.9	3801.7	2.4	3856.0	3.3	3811.2	2.0
	II	3906.9	2.8	3825.3	2.5	3885.0	3.0	3835.7	2.6
	III	3924.4	1.8	3848.2	2.4	3916.0	3.2	3856.6	2.2
	IV	3948.6	2.5	3871.8	2.5	3940.0	2.5	3872.9	1.7
	1989 I	3974.7	2.7			3956.0	1.6		
	II	3996.0	2.2			3971.0	1.5		
	1987 Annual	3787.8	3.1	3754.4	2.2	3778.1	2.8	3763.9	2.4
	1988 Annual	3915.1	3.4	3836.8	2.2	3899.1	3.2	3844.1	2.1
Gross National Product deflator Index, 1982 = 100									
Actual	1987 I	116.2	3.4%	116.2	3.4%	116.2	3.4%	116.2	3.4%
	II	117.1	3.3	117.4	4.2	117.5	4.7	117.4	4.2
	III	118.2	3.6	118.7	4.4	118.6	3.6	118.7	4.6
	IV	119.1	3.1	119.9	4.4	119.8	4.1	120.1	4.8
	1988 I	120.3	4.0	121.5	5.4	120.9	3.7	121.4	4.4
	II	121.5	4.2	123.0	4.9	122.1	4.0	122.8	4.7
	III	122.8	4.5	124.5	5.0	123.3	4.0	124.3	5.0
	IV	124.1	4.1	126.0	5.0	124.5	4.0	125.7	4.6
	1989 I	125.5	4.8			125.5	3.3		
	II	126.9	4.6			126.6	3.6		
	1987 Annual	117.6	2.8	118.0	3.1	118.0	3.1	118.1	3.2
	1988 Annual	122.2	3.8	123.8	4.8	122.7	4.0	123.5	4.6
Unemployment Rate									
Actual	1987 I		6.7%		6.7%		6.7%		6.7%
	II		6.6		6.7		6.6		6.6
	III		6.4		6.7		6.6		6.7
	IV		6.3		6.8		6.6		6.6
	1988 I		6.1		6.8		6.6		6.7
	II		6.0		6.8		6.6		6.7
	III		5.9		6.8		6.6		6.7
	IV		5.9		6.7		6.7		6.8
	1989 I		5.9				6.9		
	II		5.9				6.9		
	1987 Annual		6.5		6.7		6.6		6.7
	1988 Annual		6.0		6.8		6.6		6.7

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

¹Based on preliminary first quarter data.

THE ECONOMIC FORECASTS (continued)

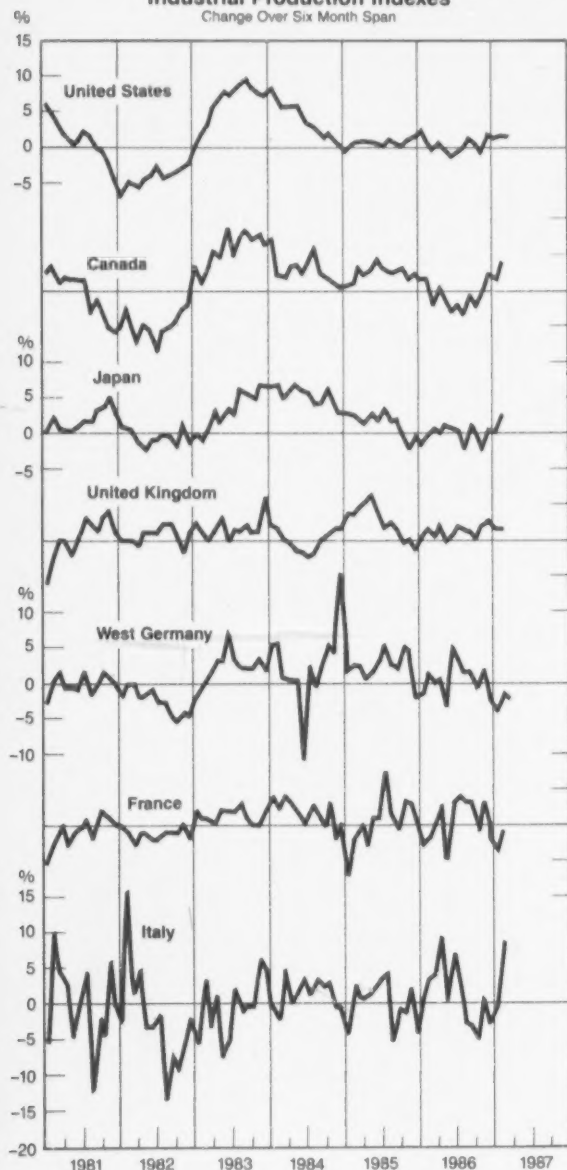
The Conference Board ¹		Data Resources Inc. ¹		Wharton E.F.A. Inc. ¹					
Apr., 1987		Apr., 1987		Apr., 1987		Date of Forecast			
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change		
								Gross National Product Billions of Current Dollars	
\$4339.2	7.8%			\$4339.2	7.8%	\$4339.2	7.8%	I	1987 Actual
4408.0	6.5			4399.7	5.7	4396.9	5.4	II	
4483.0	7.0			4481.5	7.6	4469.9	6.8	III	
4558.0	6.9			4545.6	5.8	4548.0	7.2	IV	
4616.0	5.2			4629.3	7.6	4633.9	7.8	I	1988
4684.0	6.0			4697.2	6.0	4727.5	8.3	II	
4763.0	6.9			4759.6	5.4	4816.7	7.8	III	
4842.0	6.8			4826.8	7.1	4899.8	7.1	IV	
				4905.0	6.6	4982.4	6.9	I	1989
				4976.1	6.6	5068.6	6.9	II	
4447.1	5.7			4441.5	7.1	4438.5	5.5	Annual	1987
4726.3	6.3			4728.2	5.6	4769.5	7.5	Annual	1988
								Gross National Product Billions of Constant (1982) Dollars	
\$3735.2	4.3%			\$3735.2	4.3%	\$3735.2	4.3%	I	1987 Actual
3761.1	2.8			3756.0	2.2	3744.0	0.9	II	
3786.3	2.7			3792.8	4.0	3767.2	2.5	III	
3804.7	2.0			3818.8	2.8	3793.8	2.9	IV	
3814.9	1.1			3854.1	3.7	3826.5	3.5	I	1988
3829.9	1.6			3873.1	2.0	3861.9	3.6	II	
3850.4	2.2			3885.6	1.3	3890.6	3.0	III	
3867.4	1.8			3906.6	2.2	3913.7	2.4	IV	
				3930.4	2.5	3937.0	2.4	I	1989
				3950.2	2.0	3955.8	1.9	II	
3771.8	2.6			3775.7	2.7	3760.1	2.3	Annual	1987
3840.7	1.8			3879.9	2.8	3873.2	3.0	Annual	1988
								Gross National Product deflator Index, 1982 = 100	
116.2	3.4%			116.2	3.4%	116.2	3.4%	I	1987 Actual
117.2	3.6			117.1	3.4	117.4	4.4	II	
118.4	4.2			118.2	3.5	118.7	4.2	III	
119.8	4.8			119.0	3.0	119.9	4.2	IV	
121.0	4.1			120.1	3.7	121.1	4.1	I	1988
122.3	4.4			121.3	3.9	122.4	4.4	II	
123.7	4.7			122.5	4.1	123.8	4.6	III	
125.2	4.9			123.6	3.5	125.2	4.6	IV	
				124.8	4.1	126.6	4.4	I	1989
				126.0	3.8	128.1	5.1	II	
117.9	3.0			117.6	2.8	118.0	3.1	Annual	1987
123.1	4.4			121.9	3.6	123.1	4.3	Annual	1988
								Unemployment Rate	
	6.7%				6.7%		6.7%	I	1987 Actual
6.3					6.6		6.7	II	
6.2					6.5		6.7	III	
6.4					6.4		6.7	IV	
6.7					6.3		6.6	I	1988
6.9					6.3		6.5	II	
6.9					6.3		6.5	III	
6.9					6.3		6.5	IV	
					6.3		6.6	I	1989
					6.3		6.6	II	
6.4					6.6		6.7	Annual	1987
6.9					6.3		6.5	Annual	1988

ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes in LOTUS and other formats. For more information, contact Linette Waters at (212) 759-0900.

Selected International Comparisons

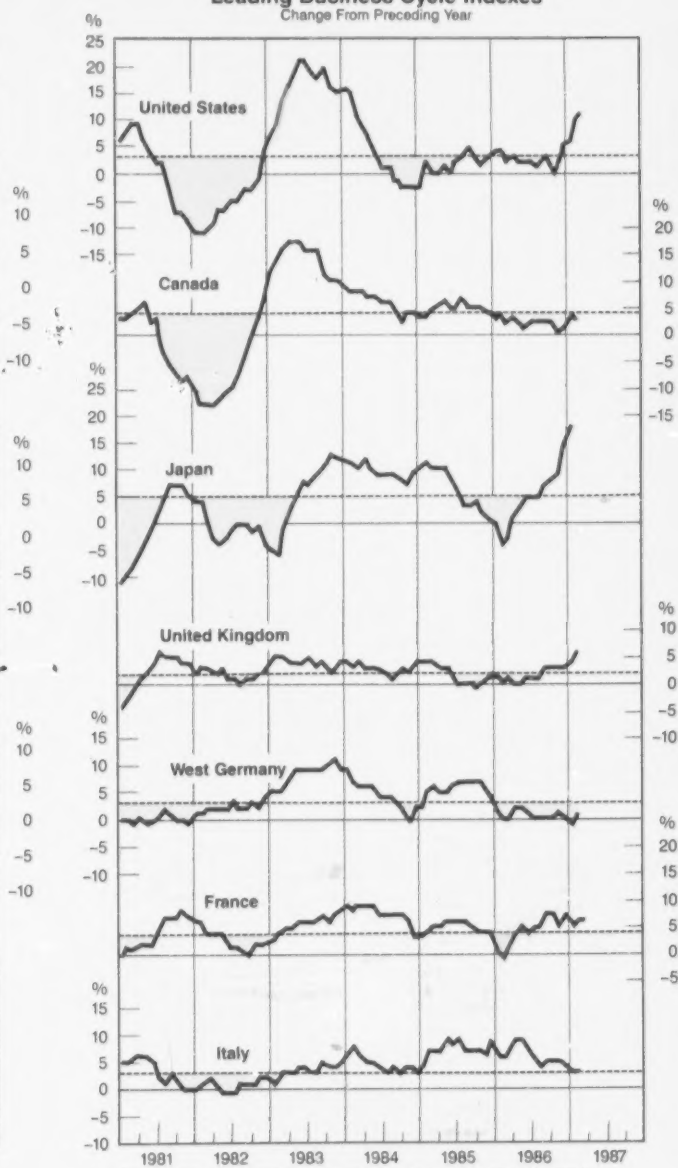
Industrial Production Indexes

Change Over Six Month Span



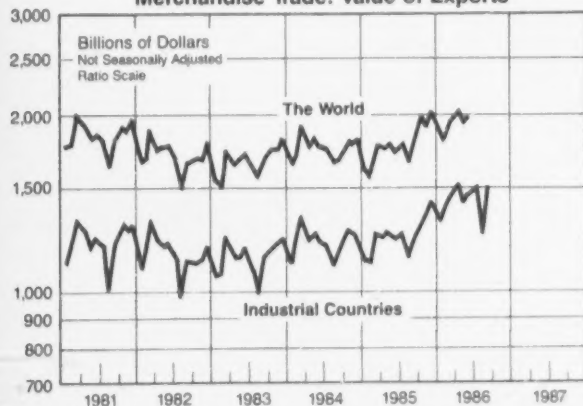
Leading Business Cycle Indexes

Change From Preceding Year



Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports

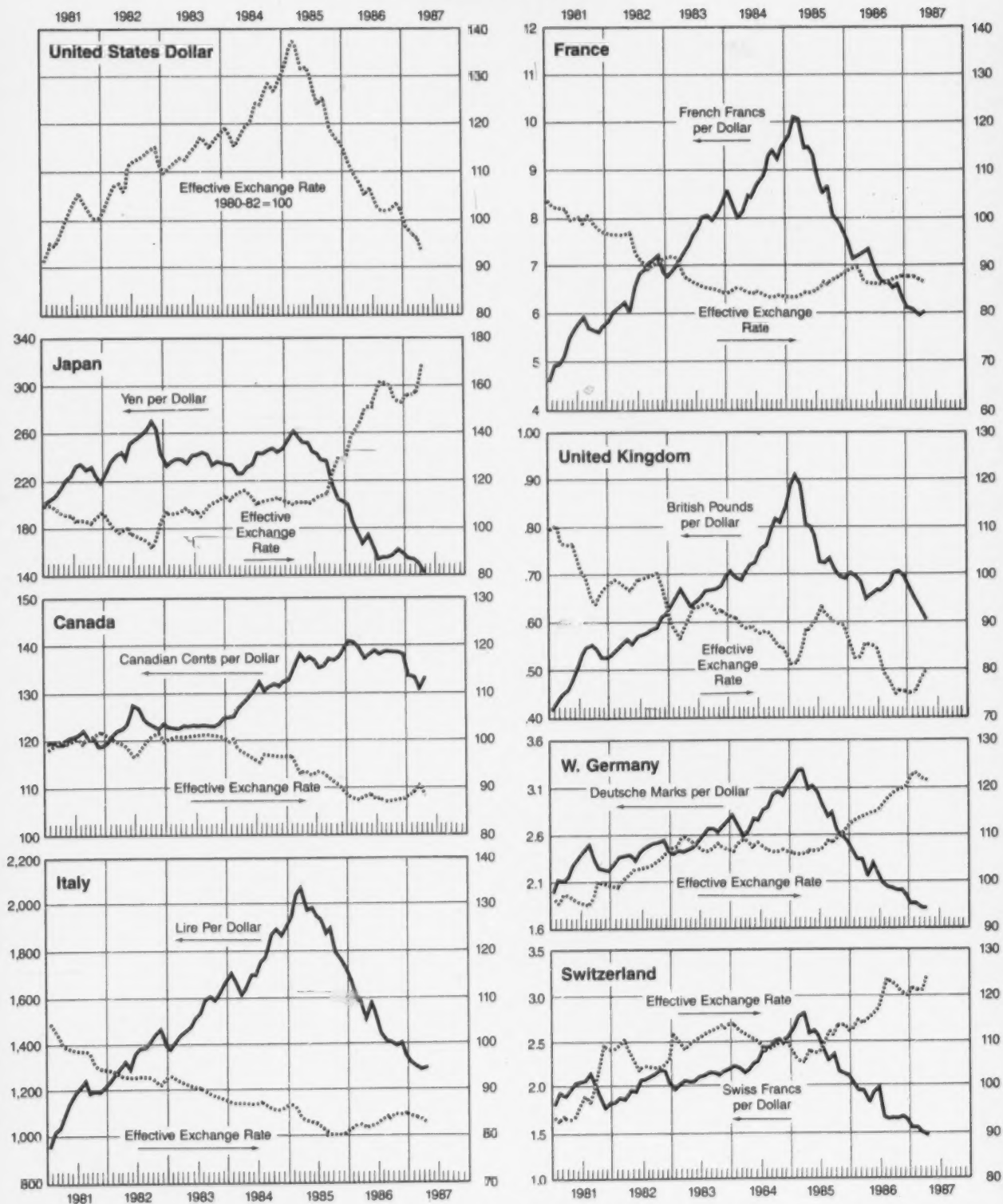


Raw Materials Prices



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rate: index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET

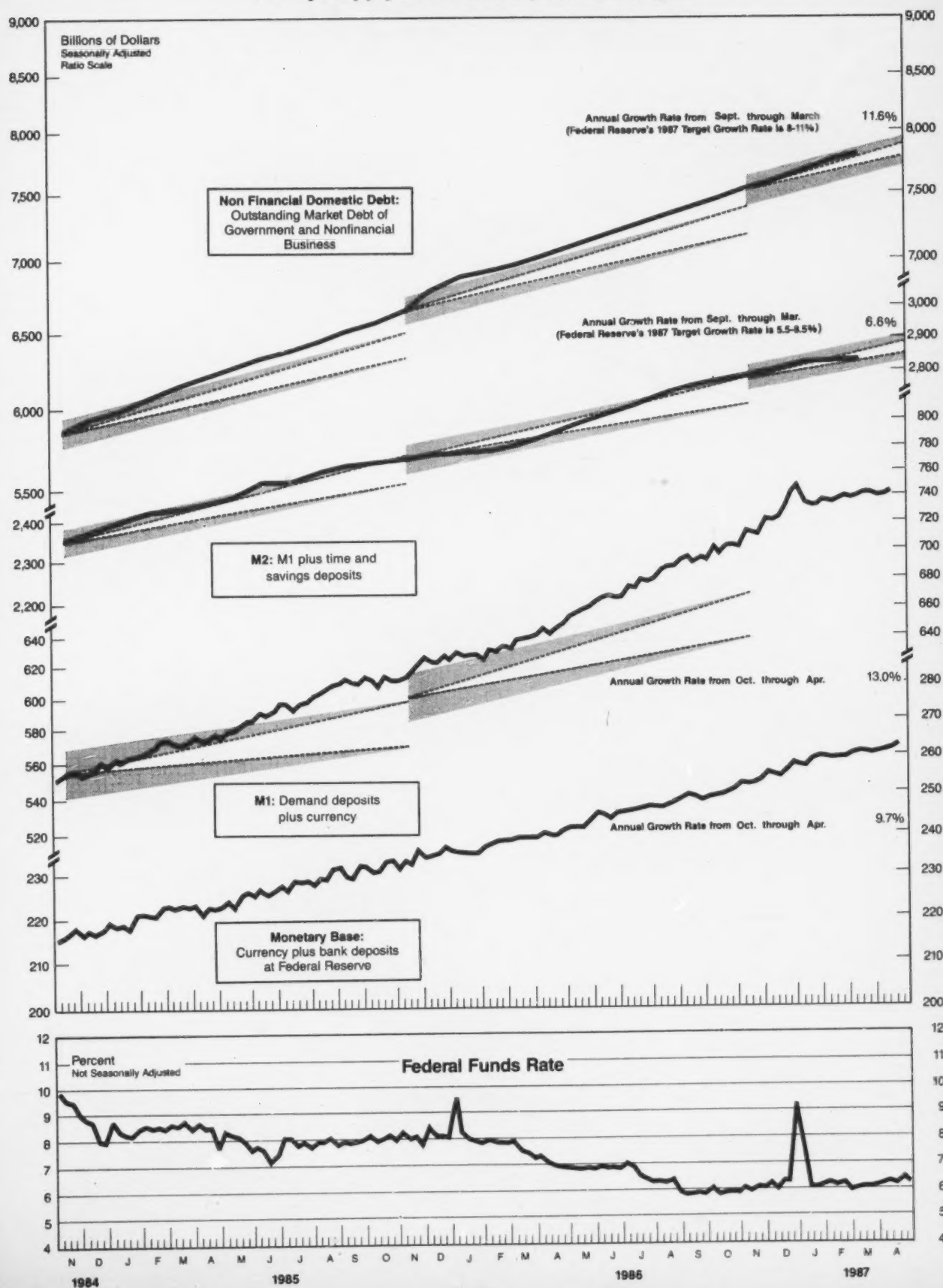
(Billions of Current Dollars)

	Fiscal 1986	Fiscal 1987		Fiscal 1988
	Actual	Administration's Latest Estimate	Congress's Latest Estimate	Congress's Latest Estimate
		(1/5/87)	(2/19/87)	(2/19/87)
Receipts	\$769.1	\$842.4	\$834.2	\$ 905.4
Outlays	989.8	1,015.6	1,010.2	1,039.8
Deficit	-220.7	-173.2	176.2	-134.4
Receipts by source	\$769.1	\$842.4	\$834.2	\$ 905.4
Individual income	349.0	364.0	361.3	381.4
Social security	283.9	301.5	300.8	331.8
Corporate income	63.1	104.8	100.6	119.3
Other receipts	73.1	72.1	71.5	73.0
Outlays by function	\$989.8	\$1,015.6	\$1,010.2	\$1,039.8
National defense	273.4	282.2		298.3
Social security	269.0	279.5		298.8
Income security	119.8	124.9		127.2
Health	35.9	39.7		40.8
Education & manpower	29.7	29.8		28.5
Veterans benefits	26.4	26.7		26.7
Transportation	28.1	27.0		27.0
Agriculture	31.4	31.1		24.9
International affairs	14.2	14.6		16.6
Natural resources	13.6	13.9		14.1
General science	9.0	9.5		11.2
Justice	6.6	8.3		9.2
General government	6.1	6.8		7.7
Community development	7.5	6.2		5.2
Commerce, Housing credit	4.4	9.3		4.3
Energy	4.7	3.8		3.3
Revenue sharing	6.4	1.9		1.5
Interest	136.0	137.5		139.0
Allowances	0.0	0.0		- 1.2
Offsetting receipts	- 33.0	- 37.1		- 43.5

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP			
Current Dollar	\$4,218.0	\$4,493.0	\$4,816.0
Constant (1982) Dollar	3,681.0	3,794.0	3,928.0
Percent change in			
Current dollar	5.5%	6.5%	7.2%
Constant (1982) dollar	2.7	3.1	3.5
Implicit price index	2.8	3.3	3.5
Consumer price index	1.6	3.0	3.6
91-Day T bill rate	6.0	5.4	5.6
Unemployment rate	6.9	6.7	6.3

Money Supply and Monetary Growth Targets

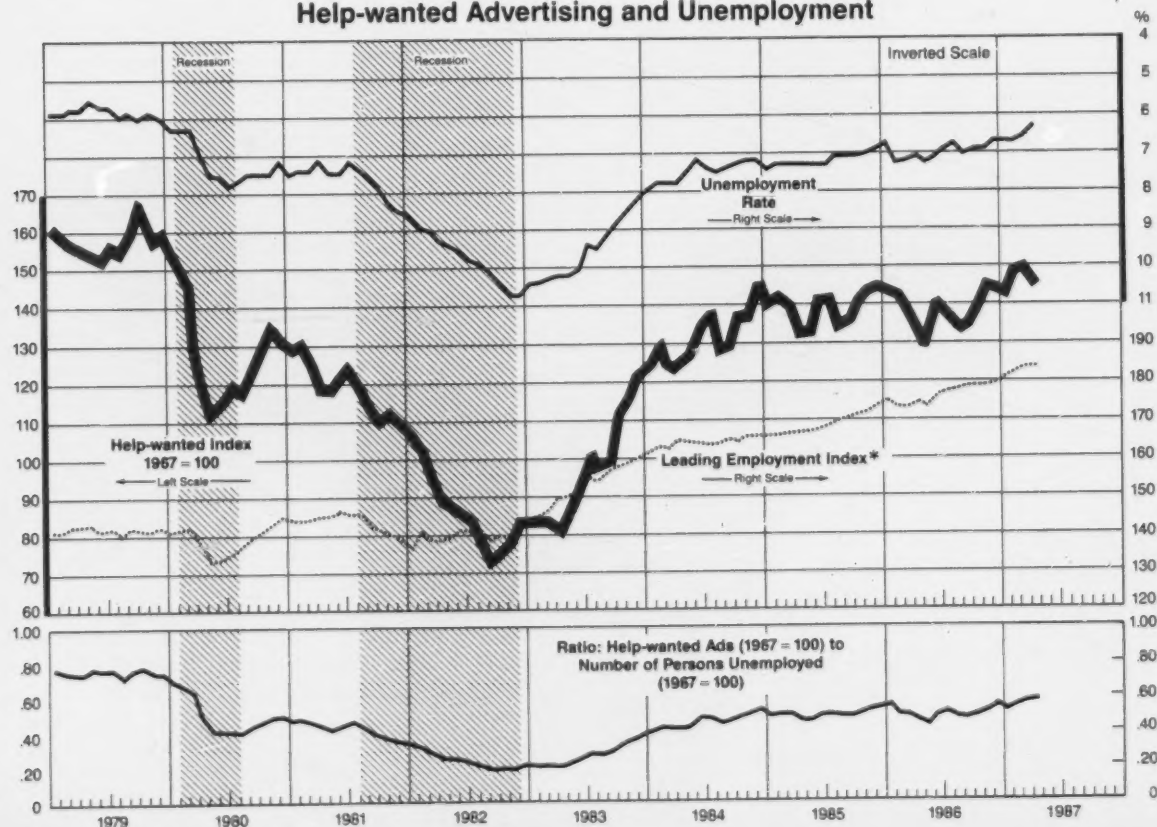


CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES Seasonally Adjusted Indexes, 1967 = 100

Locality	1987			1986	1987			1986
	Mar.	Feb.	Jan.		Mar.	Feb.	Jan.	
National Index	150	147r	142	138				
New England	186	177	165	158				
Boston	189	180	168	169	Charlotte	202	185	188
Hartford	193	189	170	160	Jacksonville	237	218	214
Providence	169	158	150	120	Miami	114	102	96
					Richmond	158	173	137
					Washington, D.C.	216	207	179
Middle Atlantic	88	84	78	71	East South Central	172	168	173
Albany	210	199	189	136	Birmingham	185	174	176
Allentown	316	312	279	198	Knoxville	282	262	249
New York	66	61	56	56	Louisville	89	86	93
Philadelphia	80	73	69	62	Memphis	145	141	143
Pittsburgh	98	98	92	88	Nashville	242	238	256
Rochester	89	100	91	84				
Syracuse	139	131r	136	119	West South Central	160	160	159
					Dallas	142	151	154
East North Central	101	101	92	91	Houston	230	222	216
Chicago	113	113	98	94	New Orleans	106	118	112
Cincinnati	155	156	148	141	Oklahoma City	104	99	101
Cleveland	67	64	59	63	San Antonio	153	143	146
Columbus	178	180	174	155	Tulsa	117	114	123
Dayton	86	83	75	85				
Detroit	60	60	55	71	Mountain	300	305	288
Gary	143	153	163	117	Denver	189	195	194
Indianapolis	112	112	101	90	Phoenix	439	437	411
Milwaukee	66	69	66	57	Salt Lake City	320	333	296
Toledo	129	132	126	116				
					Pacific	225	225	225
West North Central	96	94	96	93	Los Angeles	150	151r	159
Kansas City	138	133	152	156	Sacramento	439	447	465
Minneapolis	86	84	81	70	San Bernardino	283	304	291
Omaha	141	128	131	117	San Diego	534	542	523
St. Louis	68	70	67	70	San Francisco	231	221	210
					Seattle	219	216	211
South Atlantic	214	199	201	189				
Atlanta	266	268	267	276	Percentage of papers			
Baltimore	248	198	270	210	with rising volume	61	69	47
					Unemployment rate	6.6	6.7	6.7
								7.2

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1984	105.0	102.0	102.9	103.8	102.0	103.7	98.5	101.6	102.4	101.7	106.1	98.7
1985	103.0	104.0	98.0	101.0	96.6	100.0	101.2	99.8	98.9	99.3	98.7	99.8
1986	97.6	97.3	97.6	95.4	97.9	97.1	95.7	91.1	92.2	89.8	89.8	93.6
1987	86.0	93.2	98.4r	91.9p								

Buying Plans Index

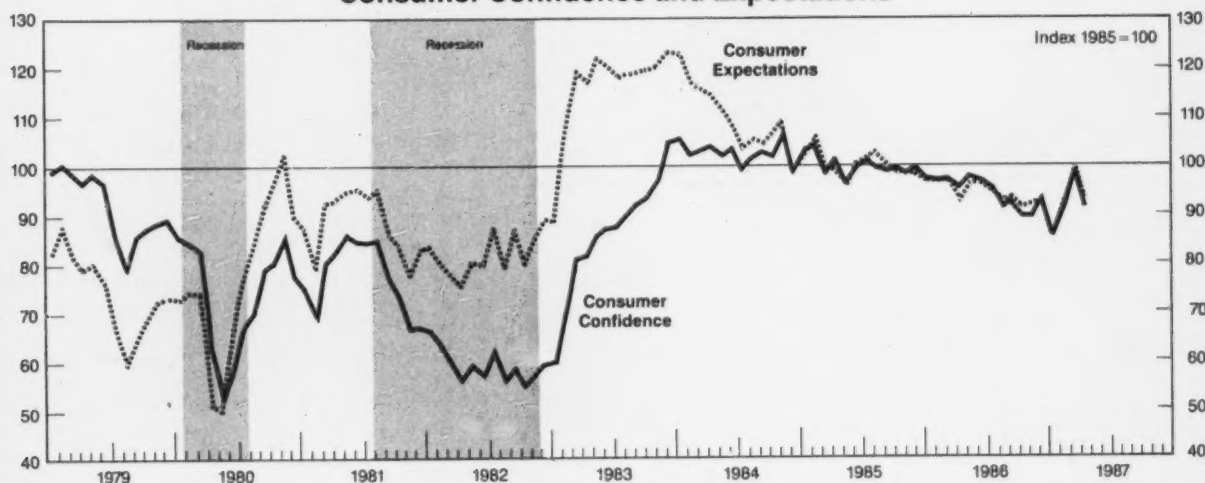
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	104.5	104.4	103.1	124.7	109.0	111.3	107.2	108.2	105.3	98.8	93.0	103.6
1987	98.9	93.1	98.7r	89.7p								

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary

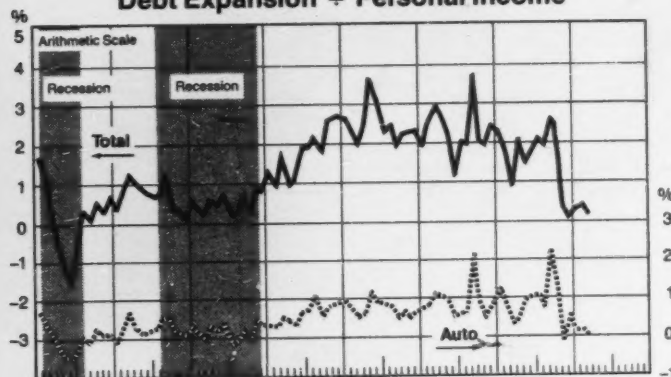
Consumer Confidence and Expectations



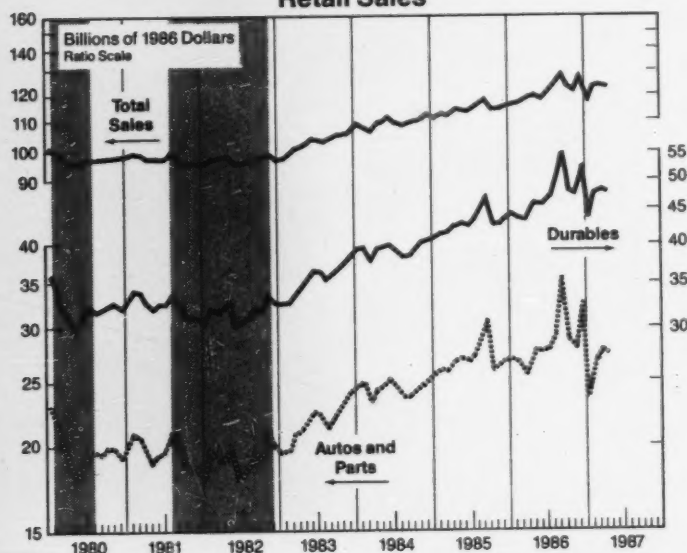
CBDB

ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes, in LOTUS and other formats. Contact Linette Waters: 800-US-BOARD; in NYC, (212) 759-0900.

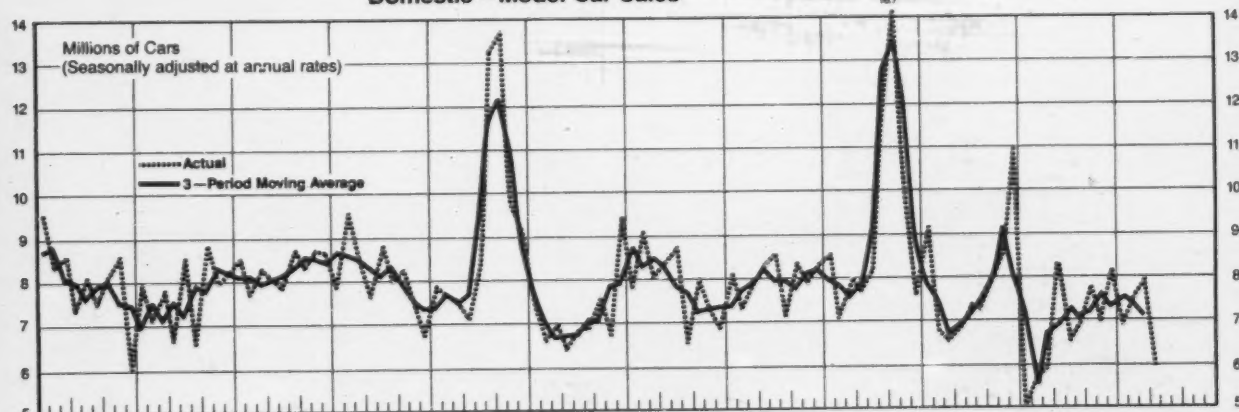
Consumer Installment Debt Expansion + Personal Income



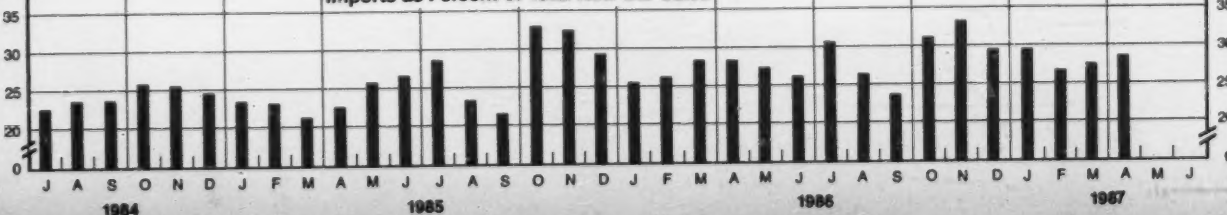
Retail Sales



Domestic—Model Car Sales



Imports as Percent of Total New Car Sales



CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods	1984	1985	1986	1987
January: 1-10	8.16	8.46	7.76	4.78
11-20	7.84	7.66	9.05	5.71
21-31	9.15	8.23	8.02	5.95
February: 1-10	7.79	8.01	8.36	8.26
11-20	9.17	7.84	8.71	6.46
21-28(29)	7.60	8.69	6.47	6.87
March: 1-10	7.35	8.27	7.93	7.76
11-20	8.13	8.73	7.23	6.95
21-31	7.35	8.67	6.81	8.13
April: 1-10	8.88	7.84	8.06	6.85
11-20	7.96	9.48	7.25	7.52
21-30	8.60	8.42	7.92	7.89
May: 1-10	8.19	7.60	8.30	5.93
11-20	7.74	8.78	8.57	
21-31	8.43	7.96	7.09	
June: 1-10	7.22	8.21	8.27	
11-20	8.25	7.51	7.84	
21-30	8.10	6.71	8.30	
July: 1-10	9.51	7.81	8.50	
11-20	8.32	7.63	7.03	
21-31	8.59	7.57	7.96	
August: 1-10	7.33	7.09	7.64	
11-20	8.07	8.30	8.19	
21-31	7.43	13.23	11.65	
September: 1-10	8.13	13.64	18.67	
11-20	8.52	9.70	9.87	
21-30	6.03	9.10	7.58	
October: 1-10	7.83	7.40	9.07	
11-20	7.07	6.57	6.72	
21-31	7.70	6.92	6.51	
November: 1-10	6.60	6.40	6.80	
11-20	8.44	6.81	7.32	
21-30	6.57	6.91	7.23	
December: 1-10	8.75	7.56	7.95	
11-20	7.96	6.69	8.54	
21-31	8.19	9.31	10.93	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

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Statistical Reference Index
Acquisitions
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Bethesda, MD 20814

STATISTICAL BULLETIN

Highlights

- LABOR MARKET REMAINS STRONG
- CONSUMER DEMAND IS STILL EXPANDING
- EXCEPT FOR CARS AND HOMES
- AND NEW ORDERS ARE WEAK
- SO INDUSTRIAL OUTPUT REMAINS FLAT
- BUT INVESTMENT GROWTH MAY RESUME SOON
- AND EXPORT GROWTH EXCEEDS IMPORT RISE
- OUTLOOK • GROWTH WILL QUICKEN TO 2½%—3%
RANGE IN SECOND HALF, AFTER A SUB-PAR 2%
SECOND QUARTER

Volume 20, No. 6, June, 1987

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The Conference Board



THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: A consistent theme has been running through the **Economic Forecasts** during the first half of 1987: Although the current expansion is now in its 5th year, some growth potential remains in consumer demand, business investment will recover in the second half of this year, the trade deficit will continue to turn around, and some inventory rebuilding will be scheduled. Nevertheless, the unemployment rate will not improve very much. Conversely, the inflation rate will not be as low as in 1986, when oil prices plunged. However, it will not be much higher than in 1985.

As with any forecast, there have been some hits and some misses. Consumer demand is growing. The trade deficit has narrowed. And there are signs that investment will rise. Moreover, inflation does not appear to be moving above a 5% annual rate.

The misses: Except for cars, no inventory buildup is in evidence and the unemployment rate has improved. Thus, no major change in the outlook is warranted. The **Economic Forecasts** for a reasonably strong second half, remain in place.

DOMESTIC MARKET MONITOR

Despite meager economic growth in the second quarter, employment growth has been strong enough to pull the unemployment rate down to 6.3% in May, from 6.7% in March. That is due, in part, to a switch from scheduling overtime to hiring new workers. Total hours worked were no higher in May than 3 months earlier.

The drop in the unemployment rate, however, also reflects a pickup in labor demand, which has improved despite the sluggish pace of the economy in the second quarter. That suggests the new hiring has been anticipatory.

Reflecting this trend, The Conference Board's **Help-wanted Index**, at 144 (1967 = 100) in April, is 12 points above its level a year ago. Early returns to the May survey show that it continues to run well above the year earlier readings. The rise in labor demand is a sign that business executives remain confident about prospects for the second half of the year.

INCOME: Hourly pay rates improved slightly in May, after no gain in April. The average hourly rate in private industry was 6 cents higher in April than 2 months earlier, despite virtually no change in construction or manufacturing.

Although there was little change in hours worked or hourly pay, wage-income growth has been slow. Wages in

commodity-producing industry were only 0.2% higher in April than 3 months ago. Wages in other industries were 2% higher. Nonwage income growth picked up a bit, due mainly to a recovery in interest and rental income. Total nonwage income was 2.6% higher in April than 3 months ago—slightly faster growth than earlier this year.

After 4 months of virtually no change, the pace of consumer borrowing in April resumed the slow rise of last Autumn. And with income rising faster than borrowing, consumer debt load has been falling. That's good news on consumer balance sheets and it could facilitate some spending.

Recent job gains have helped allay some nervousness. The Conference Board's **Consumer Confidence Index** stood at 103.1 (1985 = 100) in May, compared with 85.4 in January.

SPENDING: With some exceptions, consumer spending is still growing moderately. Retail sales, except cars, were 3% higher in April than 3 months earlier, despite only a 0.5% rise in furniture and appliance sales.

New Domestic **Automobile Sales** declined in May, after a rather slow pace in the preceding 3 months. Foreign model sales have been flat. The lack of sales has prompted some announced cutbacks in domestic production.

CONSTRUCTION: Slow selling has prompted a cut in building. Despite a rise in April, new single-family home sales were at the same level as last December. Single-unit housing starts were 0.2% lower in April than 3 months earlier. And multi-unit starts were 20% lower. The market for new homes is weak and rental housing remains in a tailspin.

One bright spot is that the slump in nonresidential construction may be ending. Although industrial and office building continue to decline, and public spending on roads and sewers has leveled off, public building is still rising and commercial building has begun to recover.

PRODUCTION: Industrial output has been slow in areas where demand has been soft. Car output was 2.2% lower in April than 3 months earlier—and more cutbacks are planned. Output of appliances and furniture was 1% lower. And energy output was weak. Conversely, business equipment was 0.7% higher, as was defense- and space-related output. Altogether, industrial production was flat through much of the first half of the year. But except for cars, that is expected to change.

Ken Goldstein, Editor

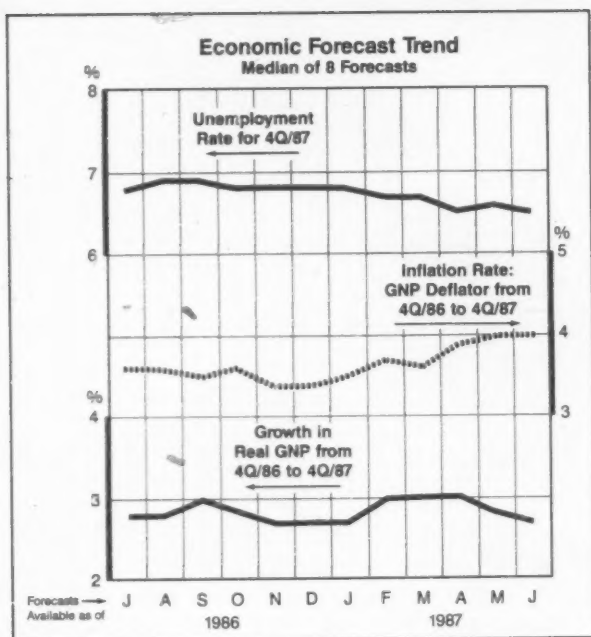
STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.

© 1987 The Conference Board, Inc.
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New York, New York 10022

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Although industrial production has been flat, plant and equipment use has actually declined, probably due to efforts to cut costs and boost productivity. It is also less expensive to pay straight time to new workers than overtime rates. Hence, the rise in hiring.

The ongoing ordering rate offers little evidence that business is picking up. Total new durable orders were only 0.2% lower in March than 3 months ago. But nondefense orders were almost 3% lower. Moreover, orders for finished goods continue to outpace orders for raw materials. Still, producers do not seem worried.

INVENTORY: The story here is no different than it was one month ago: a fairly large inventory of unsold cars at the retail level, but no rise in inventory elsewhere.

With a relatively high degree of idle capacity and uninspiring increases in production, business leaders haven't made new investment a high priority. But The Conference Board's **Measure of Business Confidence** suggests that executives are optimistic about sales and profits. Also, The Conference Board's survey of **Capital Appropriations and Expenditures** shows that some of the profit will be invested in plant and equipment. Thus, investment can expand even though interest rates are up.

INFLATION: After 4 months of small increases, raw commodity prices rose sharply in April and May—3.1% and 5.8%, respectively. These strong price changes may indicate that industrial demand is expected to pick up.

Farm prices have also begun to recover after a prolonged slump. Indeed, increases in raw food and energy prices helped produce a 0.9% rise in the **Producer Price Index** in April, after 5 months of very modest increases. Moreover, nonfood, nonenergy raw material prices at the wholesale level rose 1.6% in April—reflecting the run-up in the Commodity Price Index.

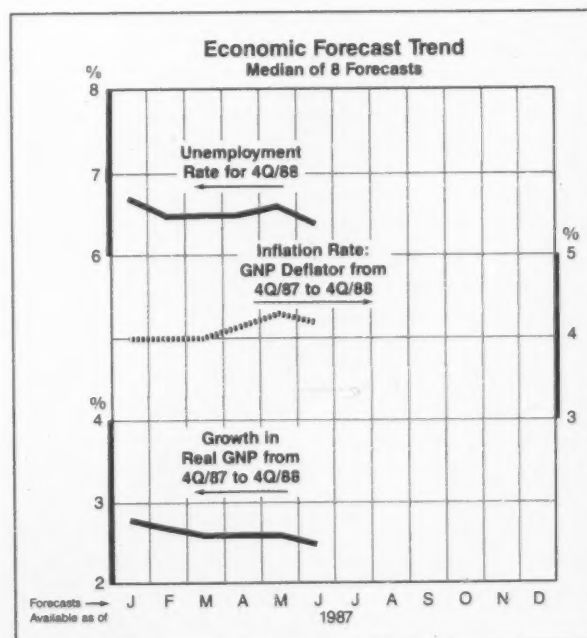
INTERNATIONAL MONITOR

Total imports rose sharply in February and March, reversing earlier declines. Total imports were only 1.2% higher in March than in October. Imports of manufactured goods were 5.2% higher, despite a 6.3% drop in shipments of aircraft and parts. And imports of other manufactured goods have slowed significantly.

Export growth, conversely, has improved. Total exports were 7.7% higher in March than in October. Manufactured exports were 12.3% higher. This growth was achieved despite the fact that exports to Japan, Canada, and several other destinations actually declined.

After declining relatively sharply in the first 4 months of this year, the trade-weighted **Exchange Rate** of the dollar against other major currencies was only 0.4% lower in May.

Ken Goldstein
June 12, 1987

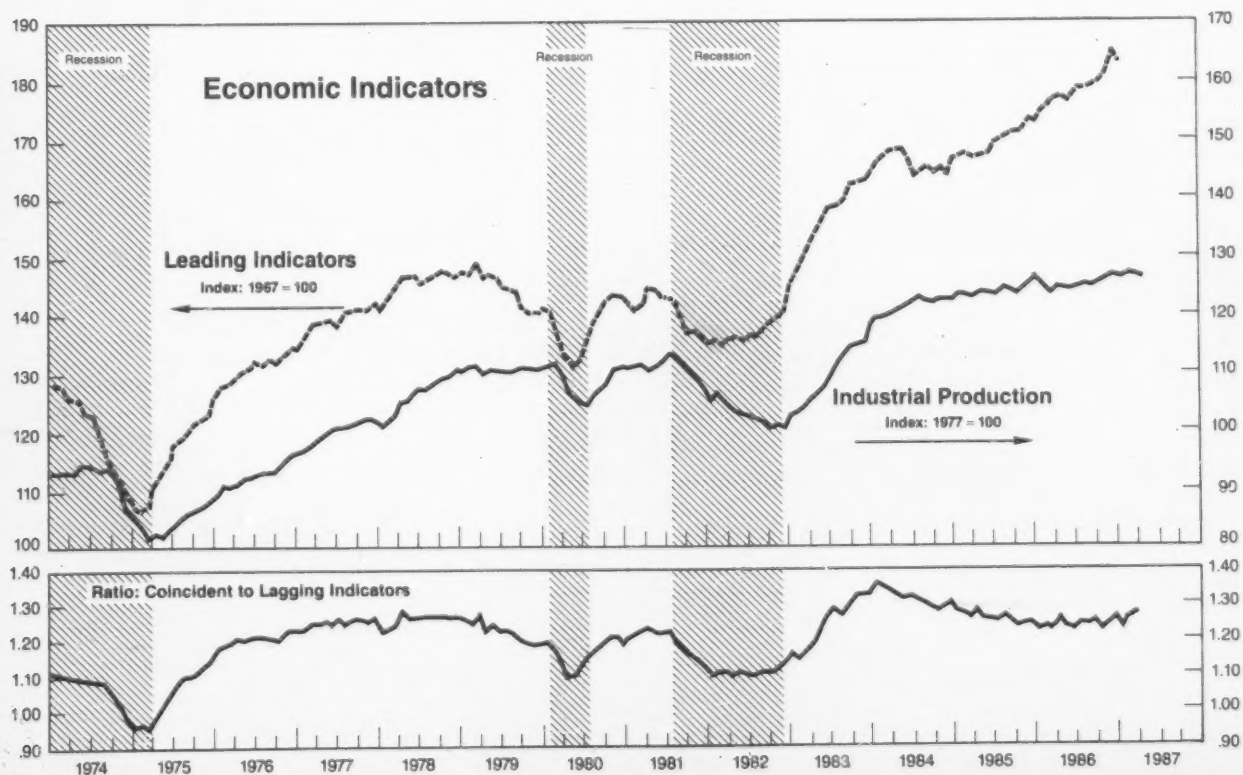


STATUS OF LEADING ECONOMIC INDICATORS

		Rising (Classification based on movement of series over several months)	Level	Declining	Change over Latest Three Months	Change from Year-Ago
Leading Economic Indicators	Apr.		X		0.5%	4.8%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Apr.	X			6.1%	8.2%
New orders, nondefense capital goods (deflated)	Apr.	X			5.2%	10.2%
*New business formation	Apr.	X			5.2%	1.1%
*Housing permits	Apr.			X	- 3.3%	-14.7%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Apr.		X		3.9%	3.3%
*Change in inventory, on hand & order (deflated)	Apr.	X			34.5%	- 0.4%
Purchasing agents' buying policy	May		X		5.0%	9.0%
*Vendor performance, reported slower deliveries	May	X			8.0%	5.0%
Industrial raw materials prices	May	X			9.1%	21.9%
*Change in sensitive material prices	Apr.			X	- 1.2%	0.3%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Apr.		X		- 0.7%	4.3%
Change in business loans	Apr.		X		-117.0%	52.0%
*Change in credit outstanding	Mar.			X	-12.4%	- 3.7%
Change in consumer installment debt	Apr.		X		25.7%	-36.1%
Profitability						
Total corporate profits, after tax (deflated)	1st.Q			X	- 6.8%	5.7%
*Common stock prices	May		X		2.9%	21.2%
Marginal Employment Adjustments						
*Average workweek, mfg.	Apr.			X	- 0.5hr	- 0.2hr
*Initial unemployment claims (inverted)	Apr.	X			9.7%	13.4%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



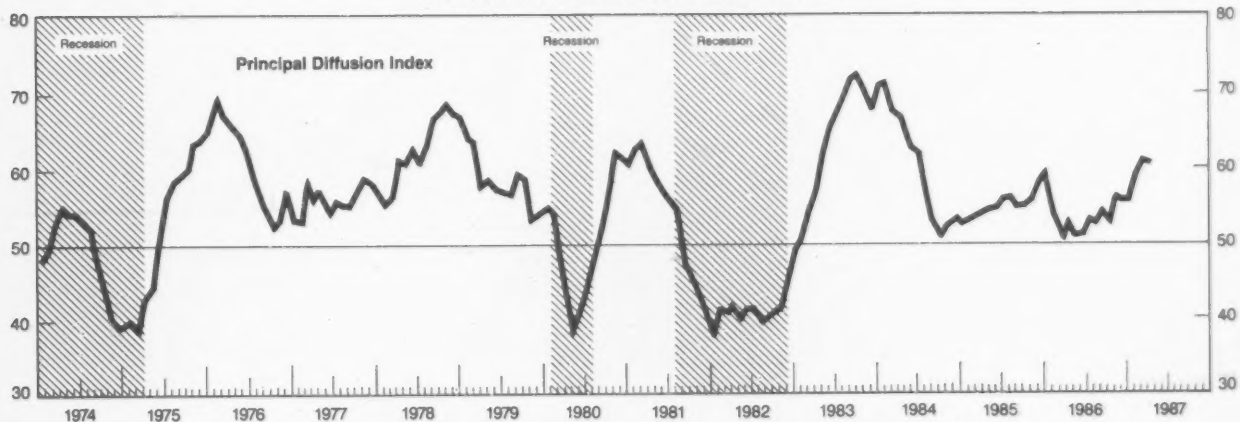
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1986	1987			
	Apr.	Jan.	Feb.	Mar.	Apr.(e)
Principal Diffusion Index	53.2	56.8r	58.9r	61.1r	60.4
Auxiliary Diffusion Index	59.9	52.4r	57.1r	57.0r	47.8
Industrial Group	51.2	52.5r	56.5r	59.0r	57.9
Nonindustrial Group	55.3	61.0	61.4r	63.2r	62.9
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	65.4	62.8r	63.7r	64.1r	59.0
Labor	48.2	52.4	56.0	57.2	57.8
Miscellaneous	37.3	37.2	46.8	55.8	56.4
Nonindustrial Subgroups					
Prices	53.9	76.9	73.7	78.2	82.1
Consumer	65.8	63.2	68.8	68.8r	68.4
Building	50.3	47.4	48.7	50.0	42.9
Miscellaneous	49.1	57.3	54.3r	56.4r	58.1

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than a.e. earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1984			1985				1986				1987
	May	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.
Score (scale 0-100)												
Measure of Business Confidence	65	61	57	61	52	51	55	61	61	50	51	55
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	75	70	57	62	48	45	53	63	61	44	50	56
2. Expectations for Economy, Six Months Ahead	60	57	57	61	53	53	56	62	62	52	51	54
3. Expectations for Own Industry, Six Months Ahead	61	57	58	61	55	54	56	59	60	54	53	56

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

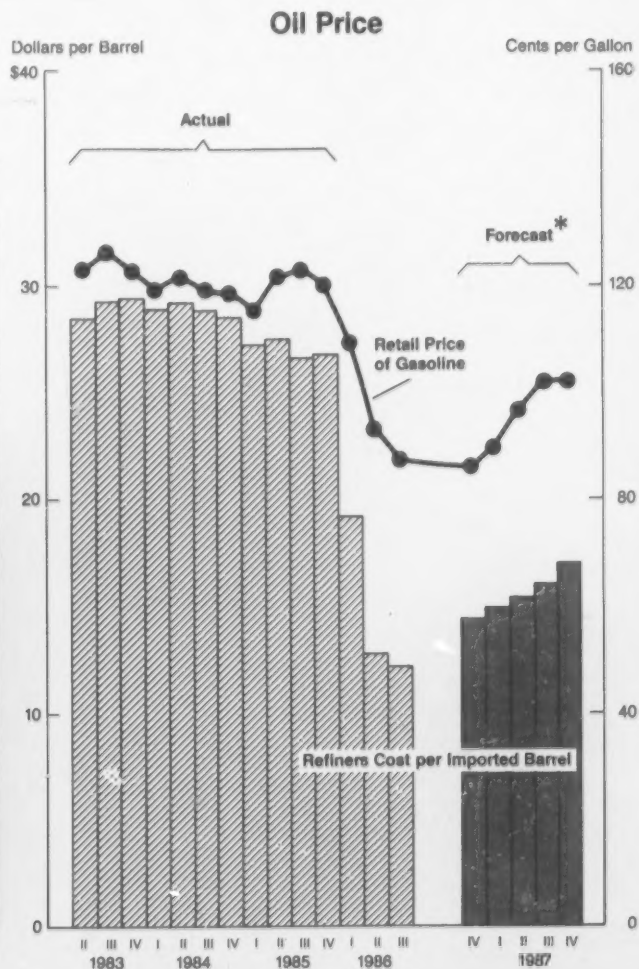
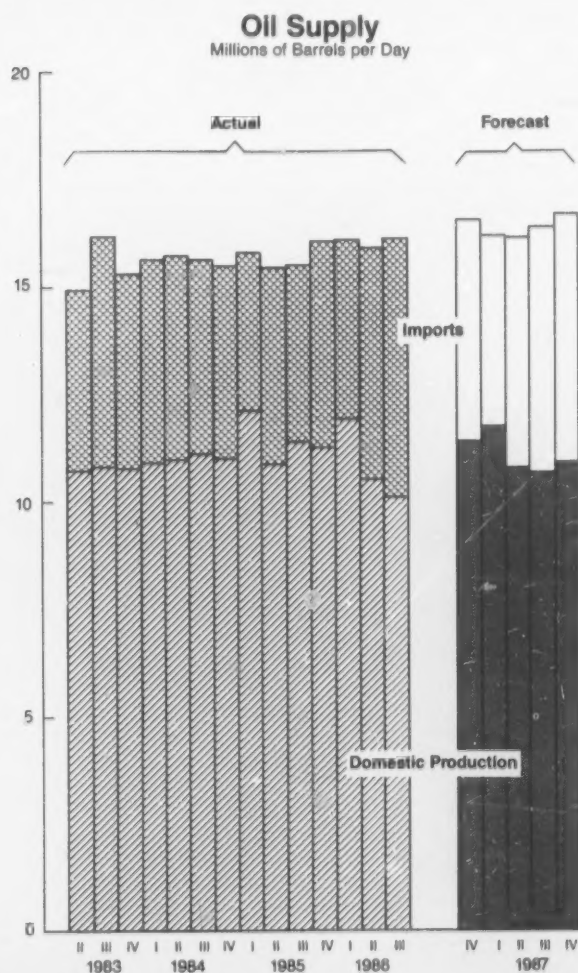
	1985		1986				1987	Percent Change From Previous Year	
	III	IV	I	II	III	IVr	1p	Actual	Estimate
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	24.167	27.190	23.386	19.991	20.203	22.097	23.955	- 2	32
Capital expenditures	24.730	26.336	23.566	24.309	22.452	23.279	25.151	- 6	11
Change in appropriations backlog*	-2.702	-2.594	-2.368	-6.447	-5.060	-10.96	-11.5		
Durable Goods									
New appropriations	12.031	12.005	11.613	9.578	10.051	10.807	10.431	- 3.5	26
Capital expenditures	12.299	12.676	11.479	11.880	12.186	12.915	12.088	- 6.4	7
Change in appropriations backlog*	-1.094	-3.063	-1.582	-3.824	-3.986	- 4.140	-2.537		
Nondurable Goods									
New appropriations	12.136	15.185	11.773	10.413	10.152	11.290	12.524	10.9	38
Capital expenditures	12.431	13.660	12.087	12.429	10.266	10.384	10.063	- 3.1	17
Change in appropriations backlog*	-1.608	+ 0.469	-0.786	-2.623	-1.074	- 6.853	+ 1.972		
ELECTRIC & GAS UTILITIES									
New appropriations	15.139r	5.093r	8.692r	9.084	5.094	5.044		+ 3	
Capital expenditures	9.366r	9.078r	8.417r	7.425	8.115	7.839		- 2.0	
Change in appropriations backlog*	+ 4.662r	-4.984r	-0.261r	+ 1.773	-7.325	-0.028			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

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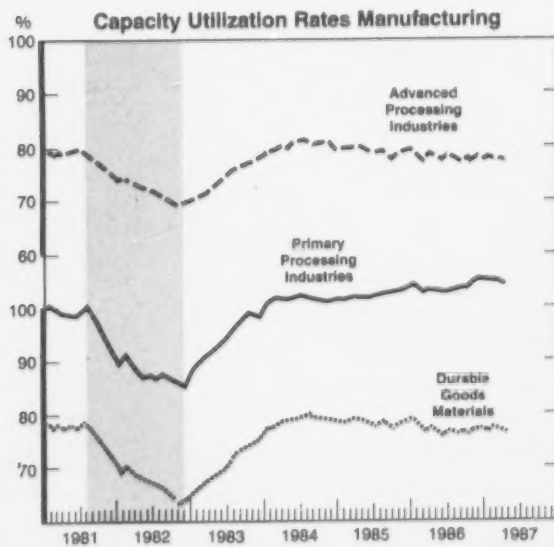
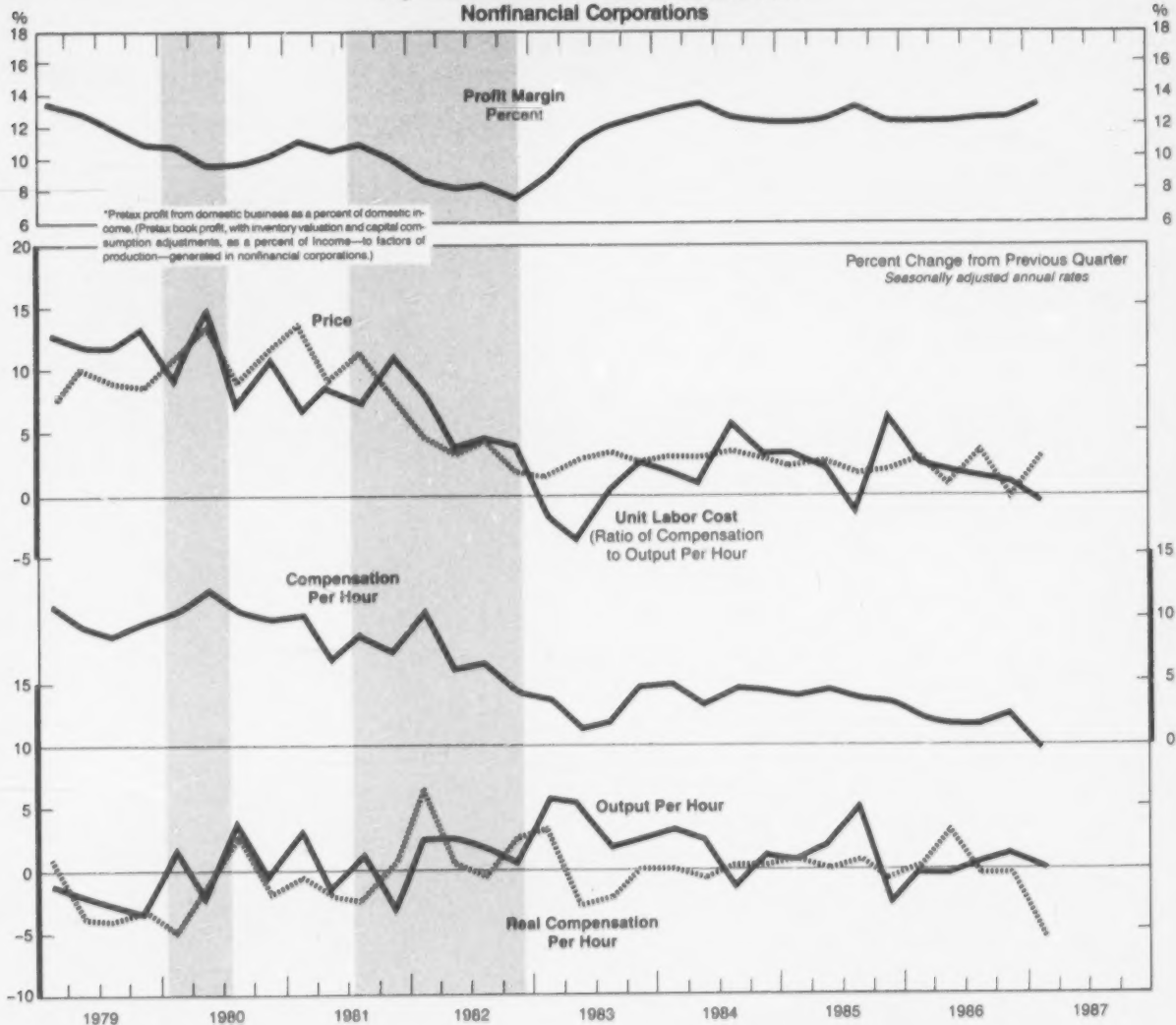
p—preliminary

* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments).



* Source of Forecast is The Energy Information Administration; Department of Energy.

Key Determinants of Profit Margin Nonfinancial Corporations



ECONOMIC FORECASTS

		U.C.L.A. ¹ Business Forecasting Project		Merrill Lynch ¹ Economics Inc.		E.I. duPont ¹ de Nemours & Co.		Georgia State University ¹	
Date of Forecast		May, 1987		May, 1987		May, 1987		May, 1987	
		Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change
Gross National Product Billions of Current Dollars									
Actual	1987 I	\$4348.4	8.7%	\$4348.4	8.7%	\$4348.4	8.7%	\$4348.4	8.7%
	II	4413.9	6.2	4401.0	4.9	4453.2	10.0	4405.3	5.3
	III	4491.9	7.3	4471.2	6.5	4537.6	7.8	4473.1	6.3
	IV	4562.2	6.4	4545.3	6.8	4620.6	7.5	4542.7	6.4
	1988 I	4650.9	8.0	4633.5	8.0	4696.6	6.7	4615.4	6.6
	II	4723.6	6.4	4718.7	7.6	4778.6	7.2	4694.0	7.0
	III	4792.6	6.0	4808.1	7.8	4863.7	7.3	4779.8	7.5
	IV	4867.3	6.4	4900.1	7.9	4940.8	6.5	4842.5	5.4
	1989 I	4950.8	7.0	4998.9	8.3	4996.4	4.6	4898.7	4.7
	II	5032.8	6.8	5094.9	7.9	5059.1	5.1		
	1987 Annual	4454.1	5.9	4441.5	5.6	4490.0	6.7	4442.4	5.6
	1988 Annual	4758.7	6.8	4765.1	7.3	4819.9	7.3	4732.9	6.5
Gross National Product Billions of Constant (1982) Dollars									
Actual	1987 IV	\$3735.9	4.4%	\$3735.9	4.4%	\$3735.9	4.4%	\$3735.9	4.4%
	II	3761.2	2.7	3742.6	.7	3758.0	2.4	3749.2	1.4
	III	3791.5	3.3	3760.2	1.9	3794.0	3.9	3771.6	2.4
	IV	3822.1	3.3	3780.4	2.2	3825.0	3.3	3795.1	2.5
	1988 I	3860.2	4.0	3803.2	2.4	3856.0	3.3	3808.1	1.4
	II	3883.6	2.4	3826.3	2.5	3885.0	3.0	3835.0	2.9
	III	3900.3	1.7	3850.4	2.5	3916.0	3.2	3864.0	3.1
	IV	3924.3	2.5	3875.2	2.6	3940.0	2.5	3870.9	.7
	1989 I	3949.2	2.6	3899.4	2.5	3956.0	1.6	3863.3	-.8
	II	3974.1	2.5	3922.2	2.4	3971.0	1.5		
	1987 Annual	3777.7	2.8	3754.8	2.2	3778.2	2.8	3763.0	2.4
	1988 Annual	3892.1	3.0	3838.8	2.2	3899.3	3.2	3844.5	2.2
Gross National Product deflator Index, 1982 = 100									
Actual	1987 I	116.2	4.1%	116.4	4.1%	116.4	4.1%	116.4	4.1%
	II	117.4	3.3	117.6	4.2	118.5	7.4	117.4	3.9
	III	118.5	3.9	118.9	4.6	119.6	3.8	118.6	3.8
	IV	119.4	3.0	120.2	4.6	120.8	4.1	119.7	3.8
	1988 I	120.5	3.8	121.8	5.4	121.8	3.4	121.2	5.1
	II	121.6	3.9	123.3	5.0	123.0	4.0	122.4	4.0
	III	122.9	4.2	124.9	5.1	124.2	4.0	123.7	4.3
	IV	124.0	3.8	126.4	5.1	125.4	3.9	125.1	4.6
	1989 I	125.4	4.4	128.2	5.8	126.3	2.9	126.8	5.6
	II	126.6	4.1	129.9	5.4	127.4	3.5		
	1987 Annual	117.9	3.0	118.3	3.3	118.8	3.8	118.0	3.1
	1988 Annual	122.3	3.7	124.1	4.9	123.6	4.0	123.1	4.3
Unemployment Rate									
Actual	1987 I		6.7%		6.7%		6.7%		6.7%
	II		6.4		6.5		6.6		6.3
	III		6.5		6.6		6.4		6.4
	IV		6.4		6.6		6.4		6.4
	1988 I		6.3		6.5		6.6		6.5
	II		6.2		6.5		6.6		6.4
	III		6.1		6.4		6.6		6.4
	IV		6.1		6.4		6.7		6.4
	1989 I		6.1		6.3		6.9		6.5
	II		6.1		6.3		6.9		
	1987 Annual		6.5		6.6		6.5		6.4
	1988 Annual		6.2		6.5		6.6		6.4

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

¹Based on revised first quarter data.

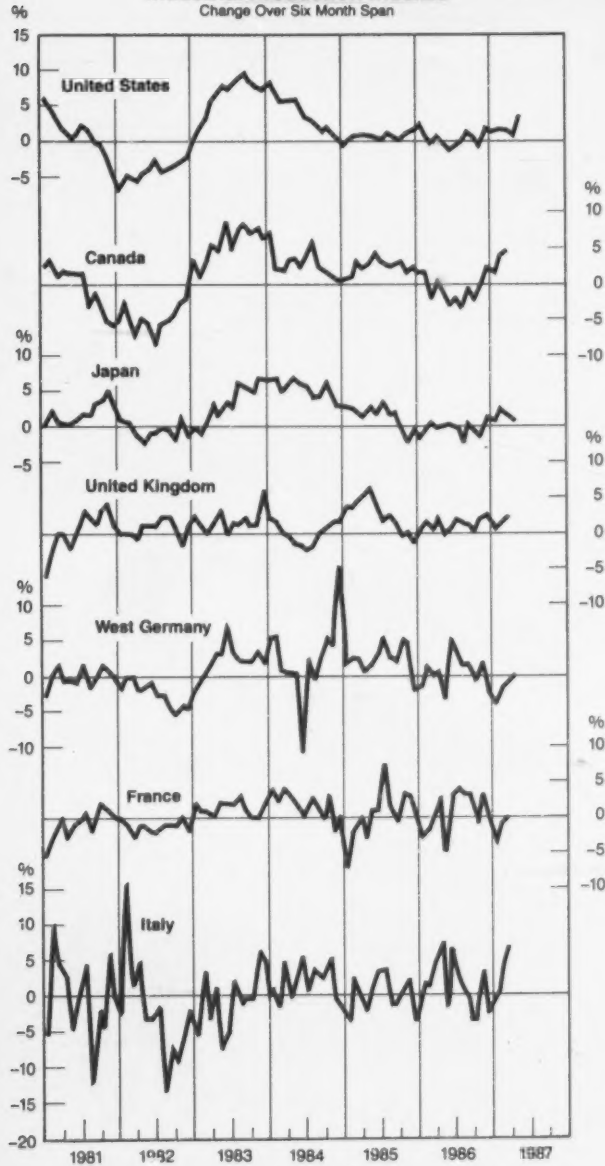
THE ECONOMIC FORECASTS (continued)

The Conference Board ¹		Laurence H. Meyer Associates, Inc. ¹		Data Resources Inc. ¹		Wharton E.F.A. Inc. ¹		Date of Forecast		
May, 1987		May, 1987		May, 1987		May, 1987				
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
								Gross National Product Billions of Current Dollars		
\$4348.4	8.7%	\$4348.4	8.7%	\$4348.4	8.7%	\$4348.4	8.7%	I	1987	Actual
4413.0	6.1	4391.8	4.1	4403.6	5.2	4401.9	5.0	II		
4484.0	6.6	4446.5	5.1	4478.3	7.0	4469.4	6.3	III		
4556.0	6.6	4509.8	5.8	4535.6	5.2	4550.0	7.4	IV		
4613.0	5.1	4556.6	5.1	4616.7	7.3	4642.0	6.3	I	1988	
4679.0	5.8	4621.7	4.9	4682.6	5.8	4731.5	7.9	II		
4759.0	7.0	4692.3	6.3	4743.9	5.3	4817.2	7.4	III		
4848.0	7.7	4773.3	7.1	4811.4	5.8	4899.0	7.0	IV		
		4850.9	6.7	4888.7	6.6	4985.1	7.2	I	1989	
		4929.1	6.6	4965.2	6.4	5065.6	6.6	II		
4450.4	5.8	4424.1	5.2	4441.5	5.6	4442.4	5.6	Annual	1987	
4724.8	6.2	4663.5	5.4	4713.7	6.1	4772.4	7.4	Annual	1988	
								Gross National Product Billions of Constant (1982) Dollars		
\$3735.9	4.4%	\$3735.9	4.4%	\$3735.9	4.4%	\$3735.9	4.4%	I	1987	Actual
3755.7	2.1	3741.9	.8	3750.6	1.6	3743.3	.8	II		
3777.6	2.4	3759.5	1.9	3781.2	3.3	3761.3	1.9	III		
3796.7	2.0	3785.8	2.0	3802.6	2.3	3792.0	3.3	IV		
3806.1	1.0	3794.8	1.0	3837.3	3.7	3826.9	3.7	I	1988	
3819.6	1.4	3812.5	1.9	3857.7	2.1	3858.3	3.3	II		
3841.0	2.3	3841.9	3.1	3871.2	1.4	3883.7	2.7	III		
3866.0	2.6	3878.5	3.9	3892.9	2.3	3904.9	2.2	IV		
		3903.5	2.6	3916.8	2.5	3927.3	2.3	I	1989	
		3932.2	3.0	3941.0	2.5	3943.0	1.6	II		
3766.5	2.5	3755.8	2.2	3767.6	2.5	3758.1	2.3	Annual	1987	
3833.2	1.8	3831.9	2.0	3864.8	2.6	3868.5	2.9	Annual	1988	
								Gross National Product deflator Index, 1982 = 100		
116.4	4.1%	116.4	4.1%	116.4	4.1%	116.4	4.1%	I	1987	Actual
117.5	3.9	117.4	3.4	117.4	3.5	117.6	4.2	II		
118.7	4.1	118.3	3.1	118.4	3.5	118.8	4.3	III		
120.0	4.5	119.1	2.9	119.3	2.9	120.0	4.0	IV		
121.2	4.1	120.3	4.1	120.3	3.5	121.3	4.4	I	1988	
122.5	4.4	121.2	3.0	121.4	3.6	122.6	4.5	II		
123.9	4.7	122.1	3.0	122.5	3.9	124.0	4.7	III		
125.4	4.9	123.1	3.1	123.6	3.5	125.5	4.7	IV		
		124.3	4.0	124.8	4.0	126.9	4.8	I	1989	
		125.4	3.5	126.0	3.8	128.5	4.9	II		
118.1	3.2	117.8	2.9	117.9	3.0	118.2	3.3	Annual	1987	
123.3	4.3	121.7	3.3	122.0	3.5	123.4	4.4	Annual	1988	
								Unemployment Rate		
	6.7%		6.7%		6.7%		6.7%	I	1987	Actual
6.4		6.5		6.4		6.5		II		
6.3		6.6		6.5		6.6		III		
6.3		6.5		6.5		6.6		IV		
6.6		6.6		6.5		6.5		I	1988	
6.8		6.6		6.4		6.4		II		
6.9		6.6		6.4		6.4		III		
6.9		6.5		6.4		6.4		IV		
		6.3		6.4		6.5		I	1989	
		6.1		6.4		6.6		II		
6.4		6.6		6.5		6.6		Annual	1987	
6.8		6.6		6.4		6.4		Annual	1988	

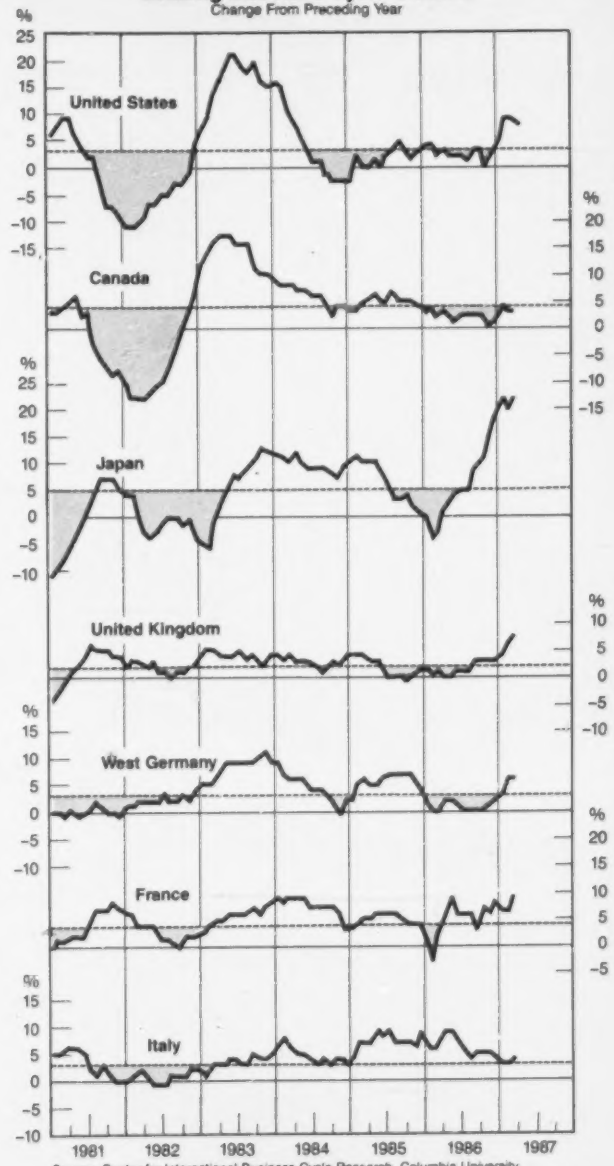
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Selected International Comparisons

Industrial Production Indexes
Change Over Six Month Span

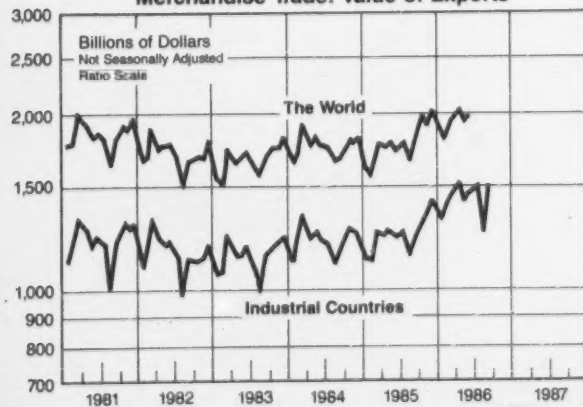


Leading Business Cycle Indexes
Change From Preceding Year

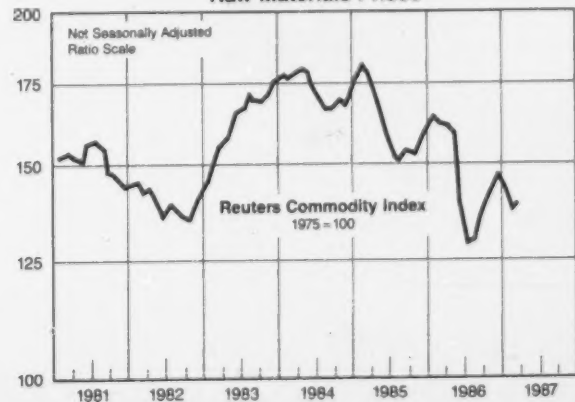


Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports

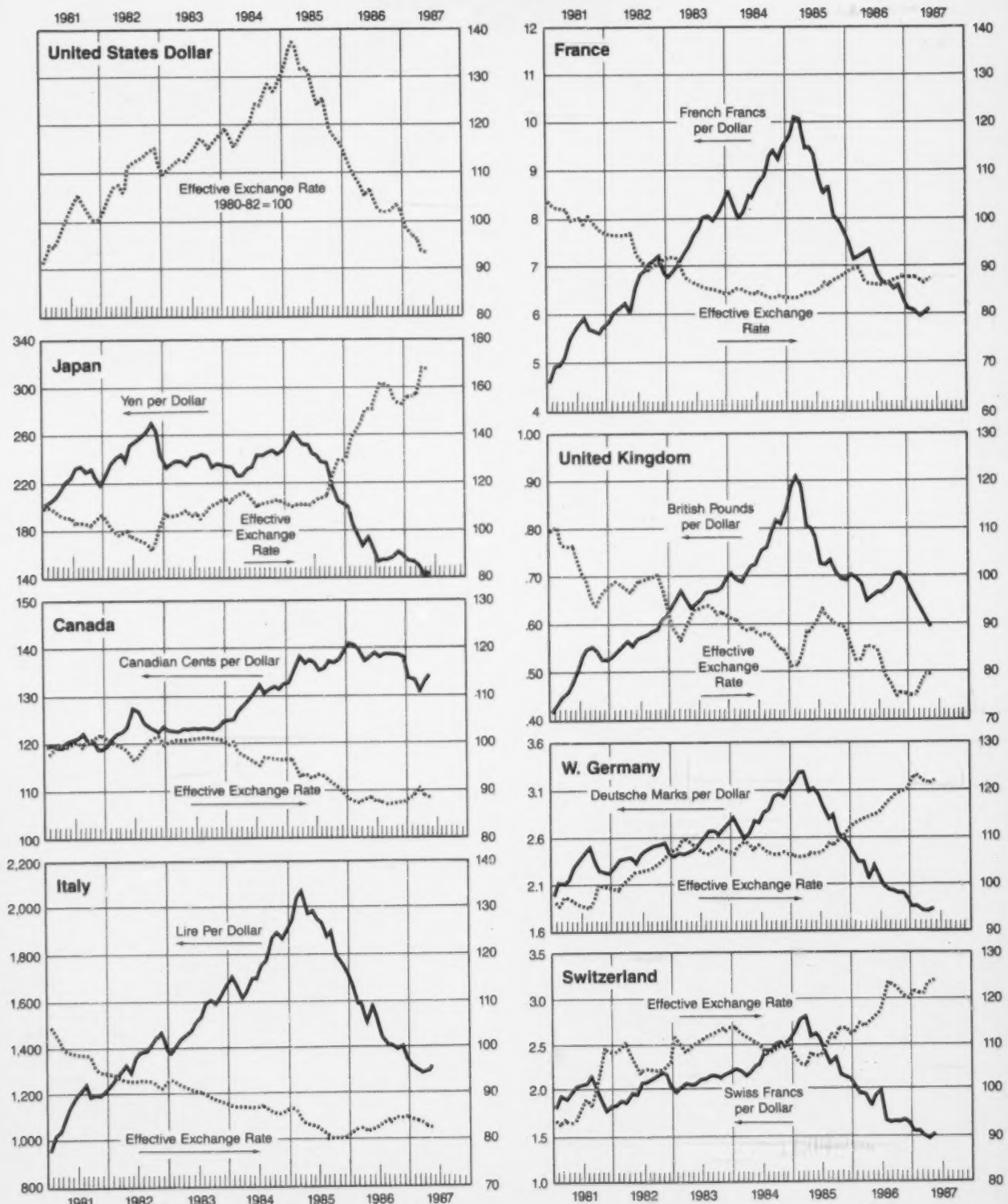


Raw Materials Prices



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates: index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

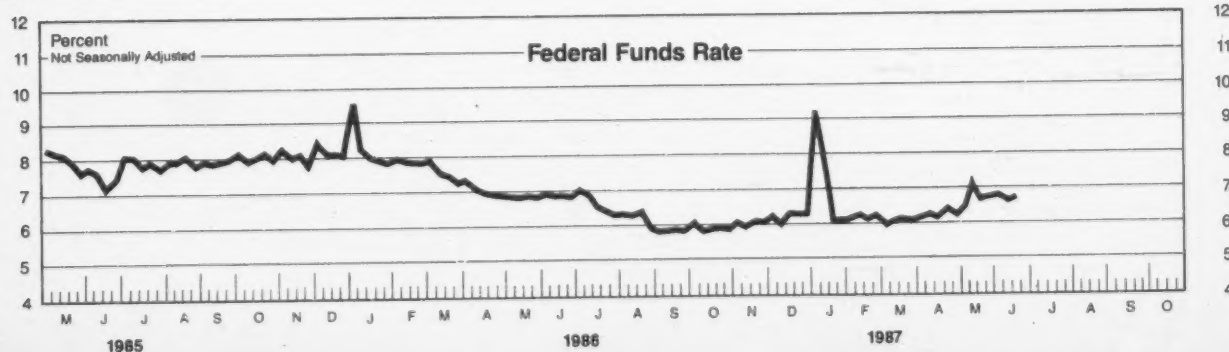
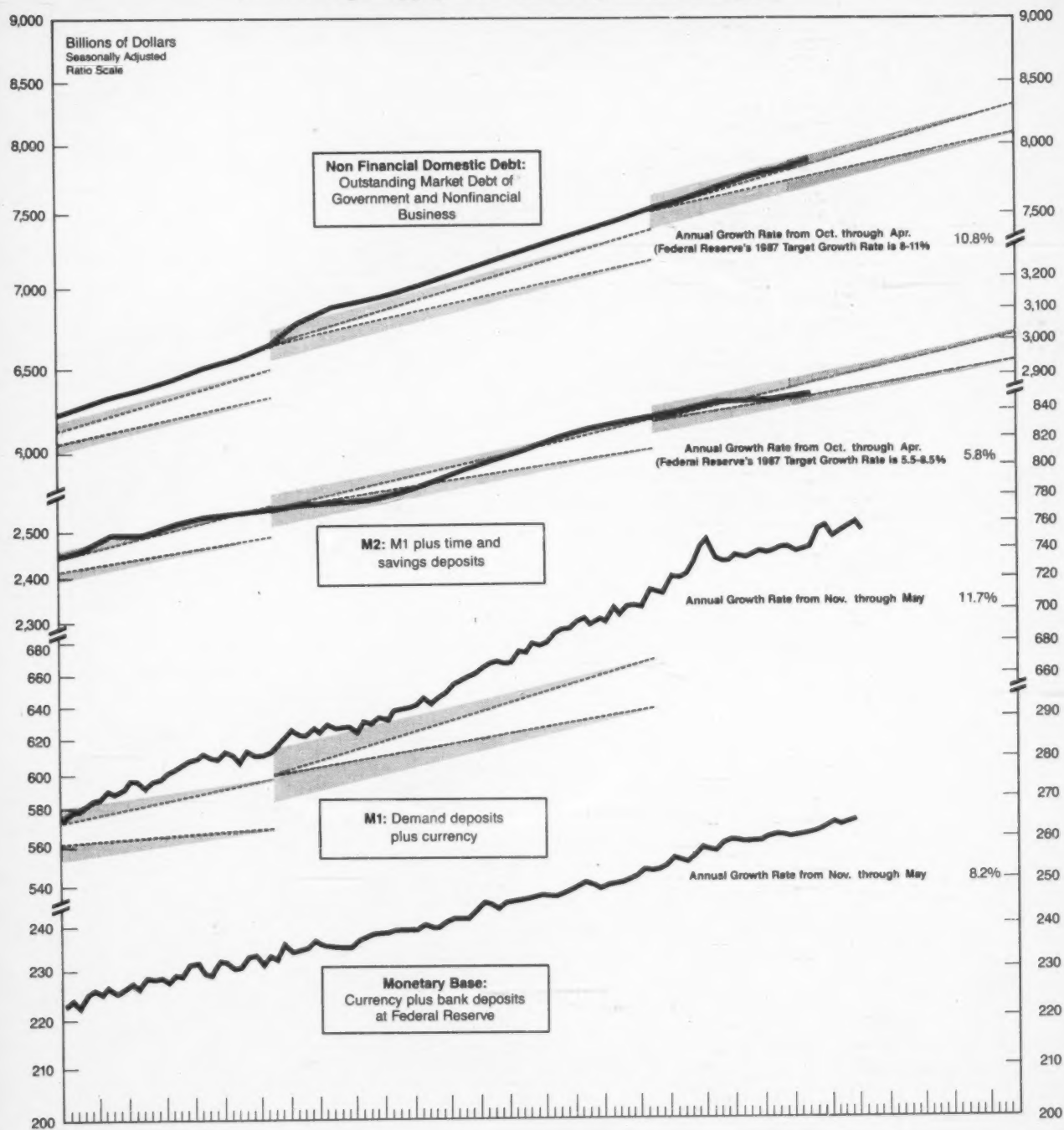
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986	Fiscal 1987		Fiscal 1988
	Actual	Administration's Latest Estimate	Congress's Latest Estimate	Congress's Latest Estimate
		(1/5/87)	(2/19/87)	(2/19/87)
Receipts	\$769.1	\$842.4	\$834.2	\$ 905.4
Outlays	989.8	1,015.6	1,010.4	1,039.8
Deficit	-220.7	-173.2	176.2	-134.4
Receipts by source	\$769.1	\$842.4	\$834.2	\$ 905.4
Individual income	349.0	364.0	361.3	381.4
Social security	283.9	301.5	300.8	331.8
Corporate income	63.1	104.8	100.6	119.3
Other receipts	73.1	72.1	71.5	73.0
Outlays by function	\$989.8	\$1,015.6	\$1,010.2	\$1,039.8
National defense	273.4	282.2		298.3
Social security	269.0	279.5		298.8
Income security	119.8	124.9		127.2
Health	35.9	39.7		40.8
Education & manpower	29.7	29.8		28.5
Veterans benefits	26.4	26.7		26.7
Transportation	28.1	27.0		27.0
Agriculture	31.4	31.1		24.9
International affairs	14.2	14.6		16.6
Natural resources	13.6	13.9		14.1
General science	9.0	9.5		11.2
Justice	6.6	8.3		9.2
General government	6.1	6.8		7.7
Community development	7.5	6.2		5.2
Commerce, Housing credit	4.4	9.3		4.3
Energy	4.7	3.8		3.3
Revenue sharing	6.4	1.9		1.5
Interest	136.0	137.5		139.0
Allowances	0.0	0.0		- 1.2
Offsetting receipts	- 33.0	- 37.1		- 43.5

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP			
Current Dollar	\$4,218.0	\$4,493.0	\$4,816.0
Constant (1982) Dollar	3,681.0	3,794.0	3,928.0
Percent change in			
Current dollar	5.5%	6.5%	7.2%
Constant (1982) dollar	2.7	3.1	3.5
Implicit price index	2.8	3.3	3.5
Consumer price index	1.6	3.0	3.6
91-Day T bill rate	6.0	5.4	5.6
Unemployment rate	6.9	6.7	6.3

Money Supply and Monetary Growth Targets



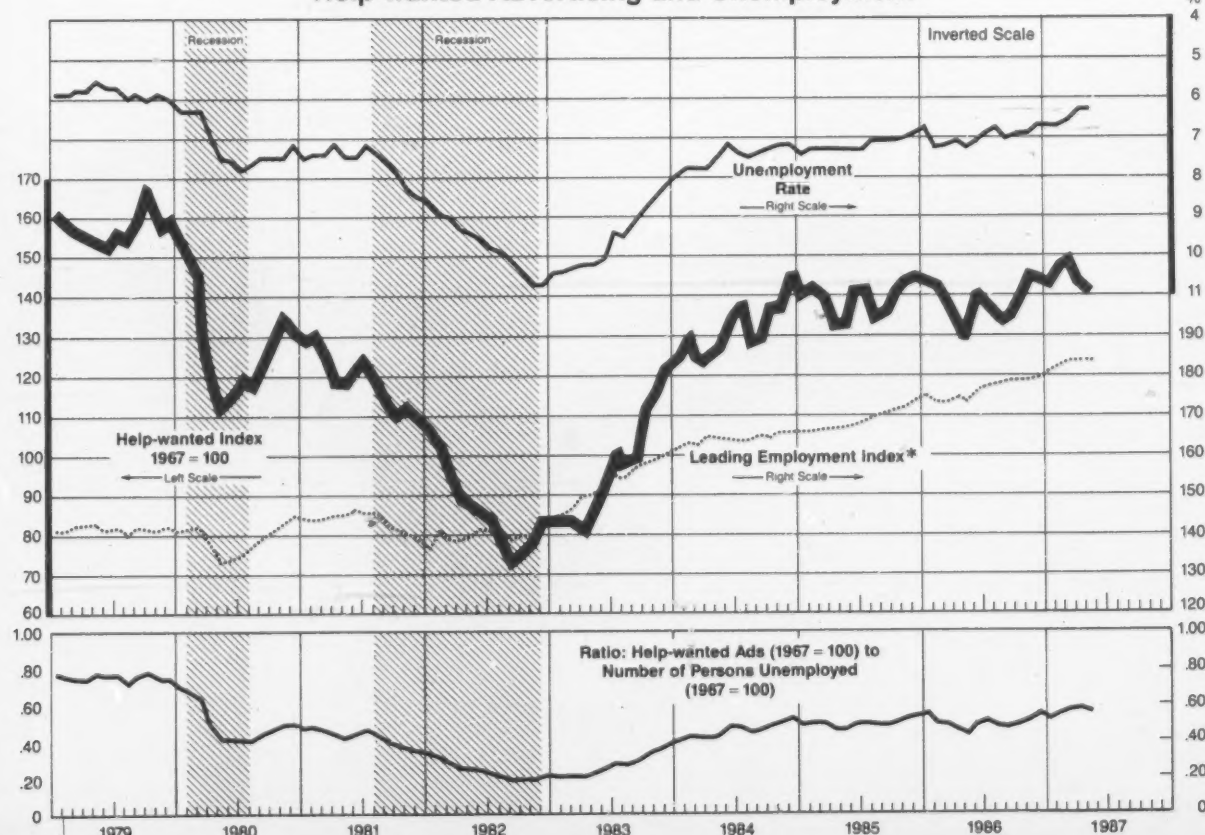
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

Locality	1987			1986			1987			1986		
	Apr.	Mar.	Feb.	Apr.	Mar.	Feb.	Apr.	Mar.	Feb.	Apr.	Mar.	Feb.
National Index	144	150	147	132								
New England	183	186	177	162								
Boston	183	189	180	170								
Hartford	192	193	189	164								
Providence	174	169	158	132								
Middle Atlantic	82	87r	84	73								
Albany	194	184r	199	169								
Allentown	302	316	312	189								
New York	64	66	61	60								
Philadelphia	70	80	73	63								
Pittsburgh	82	98	98	81								
Rochester	83	89	100	81								
Syracuse	123	139	131	123								
East North Central	94	101	101	90								
Chicago	105	113	113	94								
Cincinnati	145	155	156	144								
Cleveland	59	67	64	59								
Columbus	158	178	180	147								
Dayton	81	86	83	83								
Detroit	55	60	60	67								
Gary	129	143	153	112								
Indianapolis	110	112	112	98								
Milwaukee	67	66	69	56								
Toledo	124	129	132	119								
West North Central	89	97r	94	88								
Kansas City	129	138	133	149								
Minneapolis	79	90r	84	67								
Omaha	137	141	128	115								
St. Louis	63	68	70	65								
South Atlantic	203	214	199	174								
Atlanta	251	266	268	263								
Baltimore	284	248	198	185								
Charlotte	183	202	185	152								
Jacksonville	233	237	218	213								
Miami	96	114	102	78								
Richmond	147	158	173	128								
Washington, D.C.	184	216	207	164								
East South Central	161	172	168	156								
Birmingham	147	165	174	149								
Knoxville	255	282	262	222								
Louisville	78	89	86	74								
Memphis	142	145	141	125								
Nashville	N.A.	242	238	257								
West South Central	151	160	160	176								
Dallas	139	142	151	202								
Houston	205	230	222	224								
New Orleans	109	106	118	99								
Oklahoma City	101	104	99	102								
San Antonio	143	153	143	178								
Tulsa	116	117	114	122								
Mountain	277	300	305	288								
Denver	172	189	195	166								
Phoenix	408	439	437	395								
Salt Lake City	295	320	333	287								
Pacific	230	225	225	197								
Los Angeles	158	150	151	140								
Sacramento	449	439	447	370								
San Bernadino	281	283	304	230								
San Diego	536	534	542	459								
San Francisco	230	231	221	191								
Seattle	219	219	216	192								
Percentage of papers with rising volume	16	61	69	24								
Unemployment rate	6.3	6.6	6.7	7.1								

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1984	103.9r	101.0r	101.1r	106.1r	104.8r	105.8r	100.4r	103.1r	100.0r	99.1r	105.4r	97.0r
1985	102.0r	103.1r	96.1r	104.4r	99.6r	102.6r	103.2r	100.9r	96.0r	96.1r	98.1r	98.2r
1986	96.9r	96.0r	95.1r	100.0r	100.2r	100.0r	97.5r	91.7r	89.7r	85.9r	89.7r	93.2r
1987	85.4r	91.8r	95.8r	97.4r	103.1p							

Buying Plans Index

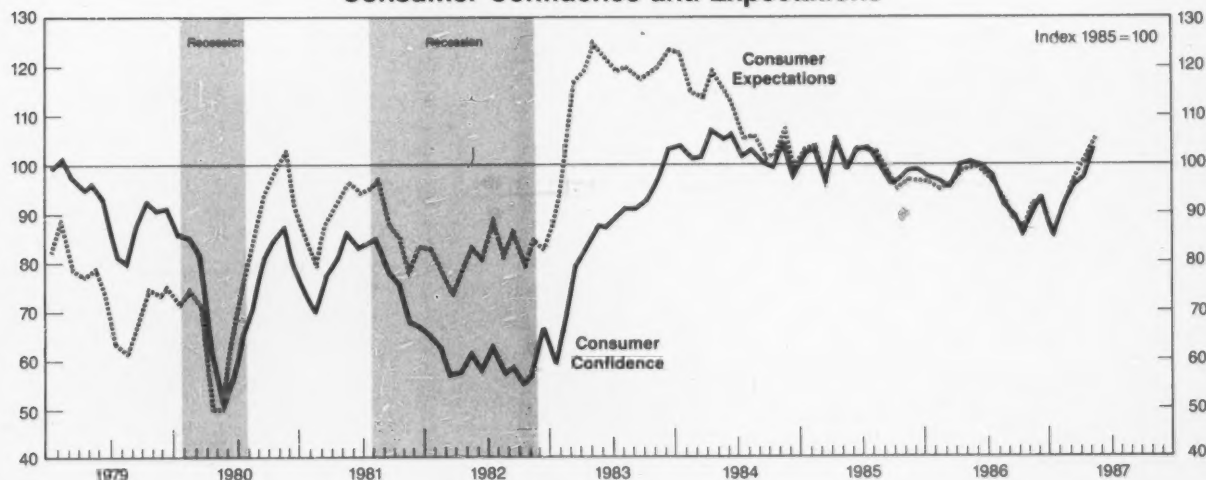
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	95.1	98.4	107.3	110.3	101.2	108.8
1986	104.5	104.4	103.1	124.7	109.0	111.3	107.2	108.2	105.3	98.8	93.0	103.6
1987	98.9	93.1	98.7r	89.7	113.3p							

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary

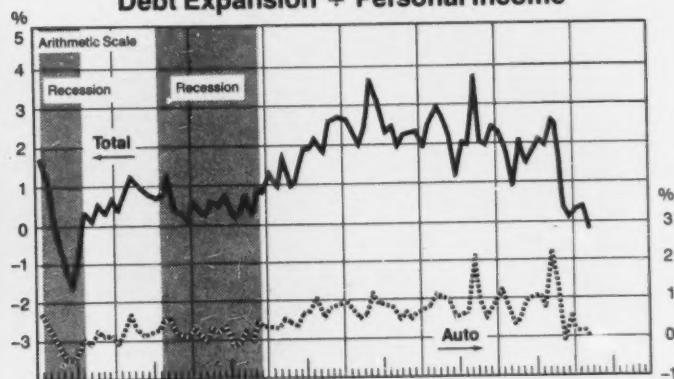
Consumer Confidence and Expectations



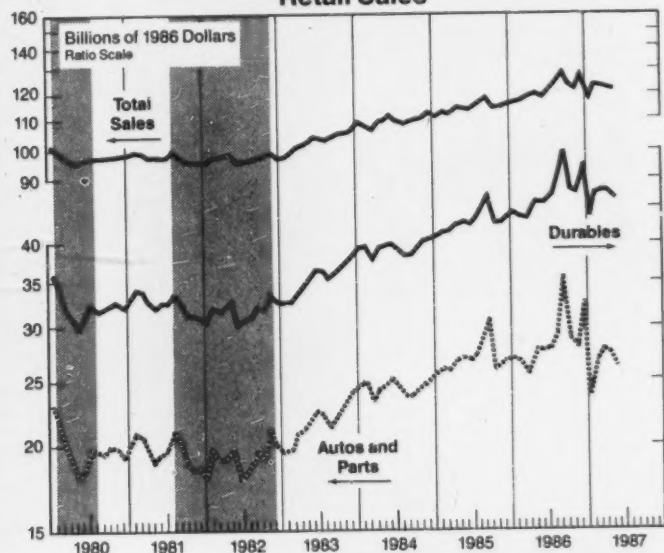
CBDB

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Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



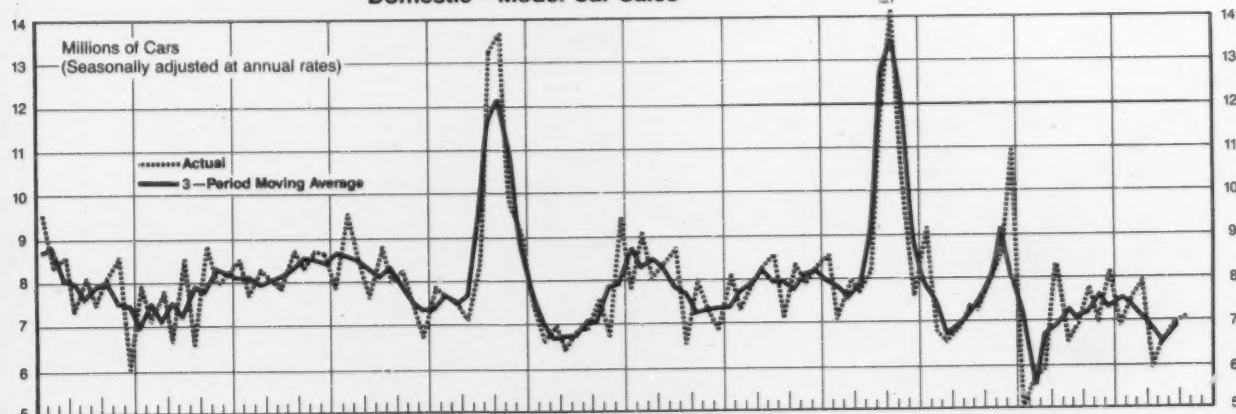
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

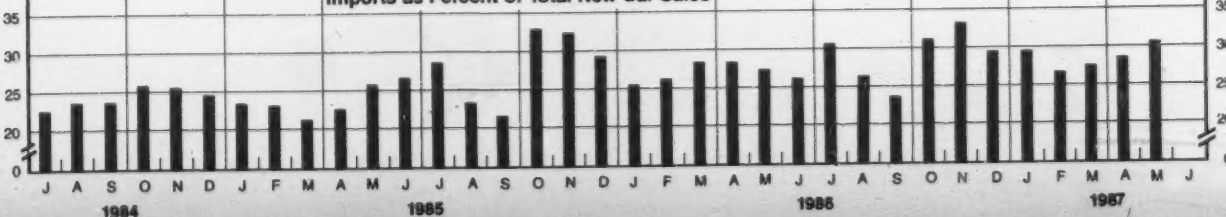
Periods	1984	1985	1986	1987
January: 1-10	8.16	8.46	7.76	4.78
11-20	7.84	7.66	9.05	5.71
21-31	9.15	8.23	8.02	5.95
February: 1-10	7.79	8.01	8.36	8.26
11-20	9.17	7.84	8.71	6.46
21-28(29)	7.60	8.69	6.47	6.87
March: 1-10	7.35	8.27	7.93	7.76
11-20	8.13	8.73	7.23	6.95
21-31	7.35	8.67	6.81	8.13
April: 1-10	8.88	7.84	8.06	6.85
11-20	7.96	9.48	7.25	7.52
21-30	8.60	8.42	7.92	7.89
May: 1-10	8.19	7.60	8.30	5.93
11-20	7.74	8.78	8.57	6.44
21-31	8.43	7.96	7.09	6.96
June: 1-10	7.22	8.21	8.27	7.03
11-20	8.25	7.51	7.84	
21-30	8.10	6.71	8.30	
July: 1-10	9.51	7.81	8.50	
11-20	8.32	7.63	7.03	
21-31	8.59	7.57	7.96	
August: 1-10	7.33	7.09	7.64	
11-20	8.07	8.30	8.19	
21-31	7.43	13.23	11.65	
September: 1-10	8.13	13.64	18.67	
11-20	8.52	9.70	9.87	
21-30	6.03	9.10	7.58	
October: 1-10	7.83	7.40	9.07	
11-20	7.07	6.57	6.72	
21-31	7.70	6.92	6.51	
November: 1-10	6.60	6.40	6.80	
11-20	8.44	6.81	7.32	
21-30	6.57	6.91	7.23	
December: 1-10	8.75	7.56	7.95	
11-20	7.96	6.69	8.54	
21-31	8.19	9.31	10.93	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales



Imports as Percent of Total New Car Sales



171790000001 0000 000
Statistical Reference Index
Acquisitions
4520 East West Highway - Suite 800
Bethesda, MD 20814

STATISTICAL BULLETIN

8/17/87 R4105-34

Highlights

- HOME AND CAR BUYING REMAIN WEAK
- AND TOTAL CONSUMER DEMAND GROWTH IS SLOWING
- INCREASE IN NEW ORDERS IS SPOTTY
- RISE IN INDUSTRIAL OUTPUT IS ANEMIC
- LABOR MARKET MAY BE STALLED
- EXPORT GROWTH IS OUTPACING RISE IN IMPORTS
- OUTLOOK • STEADY ECONOMIC GROWTH OF 2 1/2% TO 3% OVER THE NEXT 6 QUARTERS; POSSIBLE ACCELERATION TO 4% OR DECELERATION TO 2%

Volume 20, No. 7, July, 1987

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The Conference Board



THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: The general expectation for the U.S. economy remains favorable for the second half of this year and for the first half of 1988. Earlier concern about the negative impact of rising interest rates and a little more inflation appears to be subsiding. Interest rates have not continued to rise and may even start to come down a bit. Moreover, although food and other commodity prices have rebounded, the overall inflation rate remains in check. These developments explain, in part, why the consensus of the **Economic Forecasts** for the second quarter was revised upward.

Despite renewed optimism, however, there are potential pitfalls. One is a possible end to the continued expansion of consumer demand. Earlier this year, home and car buying declined as interest rates rose. But now there is evidence that demand for other consumer goods is faltering. This detracts from the recent turnaround in trade and the incipient rebound in investment. On the other hand, if consumer demand regains momentum, economic growth could climb to 4 percent. If not, and trade and investment weaken, overall growth could slow to 2 percent. It is more likely, however, that growth will track between those two extremes.

DOMESTIC MARKET MONITOR

Although the unemployment rate fell to 6.1% in June, from 6.3% in May, the overall report on labor market conditions was negative. The jobless rate fell due to a sharp drop in the labor force. The pace of hiring actually slowed, especially in the service industry. Consequently, the employed portion of the adult population dipped in June, following a fairly steady rise in recent months.

In spite of meager job growth, total hours worked rose 0.3% in June. Altogether, hours worked were 1.8% higher (annual rate) in the second quarter than in the first quarter. These gains and some rise in productivity, point to an estimated 2½% annualized growth in real GNP in the second quarter.

The slow pace of hiring in June may not signal the start of a new trend. The Conference Board's **Help-wanted Index** was considerably higher in May than one year earlier. Preliminary returns to the June survey suggest that this measure of labor demand is still rising.

INCOME: Average hourly pay rates in private industry had remained at \$8.91 in March and April but inched up to \$8.94 in May and to \$8.96 in June.

Gains in hourly pay in June may boost income growth. Wage income in commodity-producing industry was no

higher in May than 3 months earlier. Wages in other industry were 1.5% higher. Nonwage-income growth, however, remains vigorous. Altogether, then, personal income was 0.9% higher in May than 3 months earlier.

Already meager consumer borrowing slowed further in May. The good news is that income is rising faster than debt, reducing overall consumer indebtedness. The bad news is that consumers are limiting purchases, especially of high-priced items.

Consumer attitudes, however, remain quite positive. The Conference Board's **Consumer Confidence Index** climbed back to 102 (1985=100) in June, after falling as low as 85.8 last October.

SPENDING: The data suggest that consumer-buying growth is slowing down. Retail sales, except cars, were 0.2% lower in May than 3 months earlier. Given the slow pace of borrowing, it is not surprising that nonauto durable sales were lower. The fact that nondurable sales were 0.4% lower, however, introduces a note of caution.

After 3 lackluster months, new domestic **Automobile Sales** in June did not rise above February's level, despite promotional campaigns. That foreign-model sales were also flat suggests slack car demand.

CONSTRUCTION: The slump in the housing market deepened in May. New single-family home sales fell to the lowest level recorded over the last year and a half, fostering construction cutbacks. Single-unit housing starts were 13.4% lower in May than 3 months ago. Multi-unit starts were only 8.2% lower. But multi-unit construction was already in a tailspin.

Conversely, nonresidential construction appears to be pulling out of a slump. New commercial building was 0.9% higher (in real terms) in May than 3 months earlier. The office and industrial building categories were lower, as was work on public infrastructure. But spending on public building continues to rise.

PRODUCTION: Recent gains in industrial output were narrowly concentrated. Total output was 0.5% higher in May than 3 months earlier. But output of finished consumer goods was 0.1% lower. Durable-goods output was 2.5% lower. The quick decision to cutback on consumer goods suggests that producers are uneasy about a return to moderate growth in consumer demand. In contrast, output of defense- and space-related materiel was 0.5% higher. Raw material output was 0.8% higher, largely due to a recovery of energy output.

Ken Goldstein, Editor

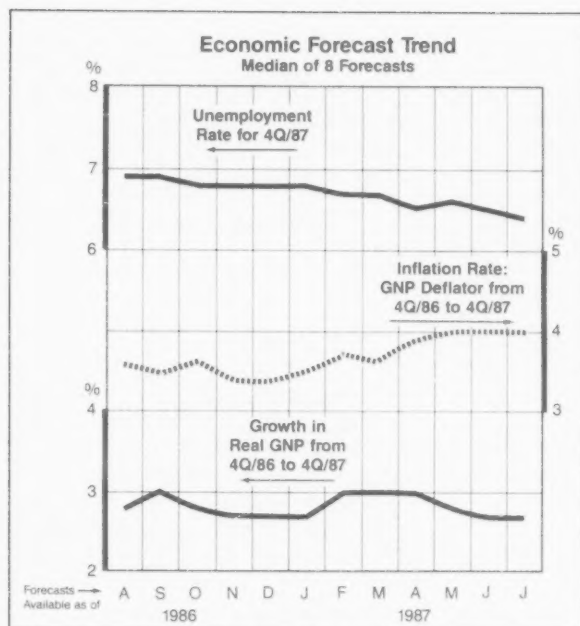
STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.

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New York, New York 10022

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One reason for anticipating a rise in productivity in the second quarter is that output rose, albeit modestly, while capacity utilization remained flat. Capacity use in May stood at 79.6%, the same level recorded in March. A decline in capacity use in durable manufacturing was offset by a gain in nondurable industry.

The rise in new orders may not be sufficient to boost industrial production. To be sure, new orders for durable goods were 4.6% higher in May than 3 months earlier. But shipments of filled orders fell 1.2%, creating a backlog for producers to work off. Gains in orders were limited to defense materiel and to some nondefense capital goods. All other orders were 1.1% lower.

INVENTORY: Old orders are being filled more slowly than new orders are coming in, which is holding down the rise in production. Yet, some inventory accumulation is occurring. Indeed, the total Inventory-to-Sales ratio was roughly 10% higher in April than last autumn. Nondurable inventory was 1.1% higher. Durable inventory, except autos at the retail level, was 0.2% lower. Auto inventory at the retail level was 6% higher.

INFLATION: Following a prolonged slump, a recovery in commodity prices appears to be firmly set. Despite a sluggish rise in industrial production, raw industrial commodity prices jumped 4.2% in June, for the third straight month of sharp increase.

Farm prices are also on the upward track. Prices received by farmers were 6.5% higher in June than 3 months earlier. Prices paid by farmers were 1.9% higher. Severely depressed

farm income is recovering, but the price of food is going up. Despite higher cost for raw industrial input and for food, prices for finished goods at the wholesale level continue to rise relatively slowly. And the CPI is still rising at only about a 3% annualized rate. The consensus of the Economic Forecasts is that the CPI will be rising at about a 4% annualized rate in the fourth quarter of this year.

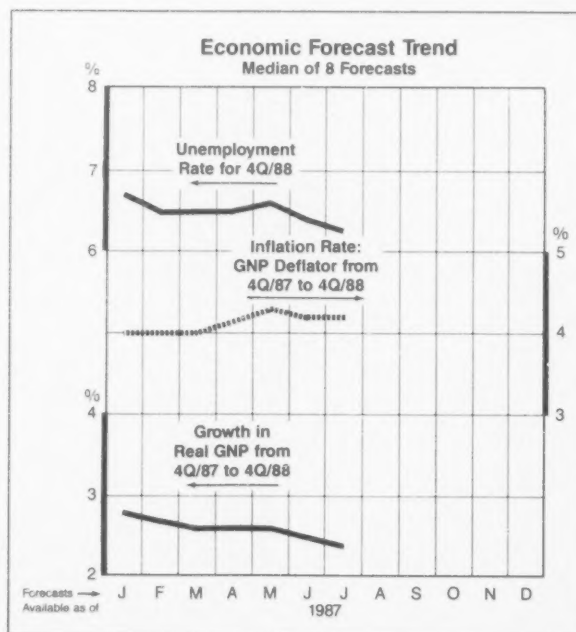
INTERNATIONAL MONITOR

Import growth remains subdued. Total imports were 5.1% higher in April than 2 months earlier, but only 3.5% higher than last October. Imports of manufactured goods were 1.3% higher in April than 2 months earlier but 6.8% higher than last October. Shipments of Electric machinery were 7.9% higher in April than 2 months earlier, nonelectric machinery was 1.7% higher. All other manufactured imports were lower.

While import growth appears to have slowed, there is concern about the fragility of the recent pickup in exports. Total exports were 7.9% higher in April than 2 months earlier but only 3% higher than last October. Exports of manufactured goods fared better; they were 7.8% higher in April than 2 months earlier but 6.1% higher than last October.

The rise in exports has been broad-based and wide spread. All major categories of manufactured exports rose over the last 2 months. Exports to all geographic areas rose, with the exception of the EEC.

Ken Goldstein
July 14, 1987

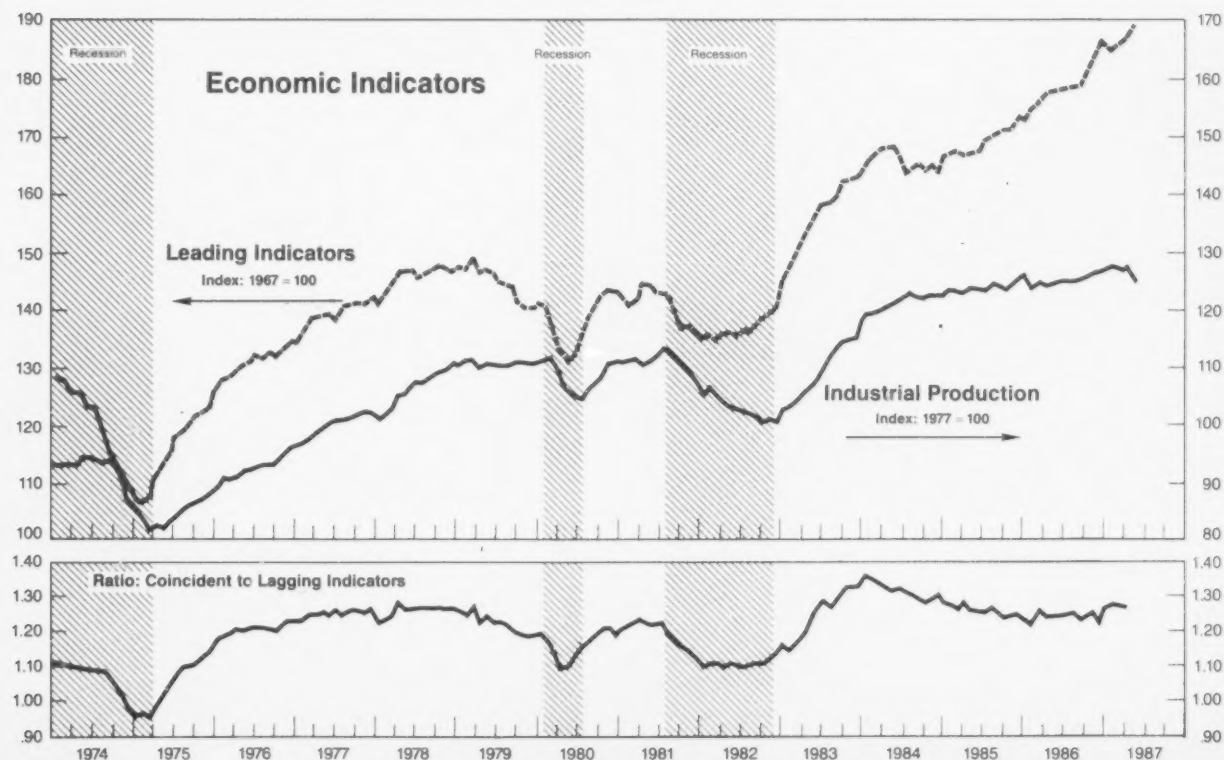


STATUS OF LEADING ECONOMIC INDICATORS

		Rising (Classification based on movement of series over several months)	Level	Declining	Change over Latest Three Months	Change from Year-Ago
Leading Economic Indicators	May	X			1.8%	6.1%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	May	X			10.4%	14.3%
*New orders, nondefense capital goods (deflated)	May	X			11.8%	17.3%
*New business formation	May		X		0.4%	0.7%
*Housing permits	May			X	-10.9%	-16.0%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	May			X	- 1.0%	6.5%
*Change in inventory, on hand & order (deflated)	Apr.	X			27.8%	- 0.3%
*Purchasing agents' buying policy	Jun.			X	- 3.0%	0.0%
*Vendor performance, reported slower deliveries	May	X			8.0%	5.0%
*Industrial raw materials prices	Jun.	X			12.2%	22.8%
*Change in sensitive material prices	May	X			0.3%	1.0%
Sensitive Financial Flows						
*Money balance (M2 deflated)	May			X	- 0.5%	3.3%
*Change in business loans	May		X		50.4%	-11.3%
*Change in credit outstanding	Apr.	X			- 2.2%	2.4%
*Change in consumer installment debt	Apr.	X			25.7%	-36.1%
Profitability						
*Total corporate profits, after tax (deflated)	1st.Q			X	- 5.2%	7.5%
*Common stock prices	Jun.	X			2.8%	22.6%
Marginal Employment Adjustments						
*Average workweek, mfg.	Jun.		X		0.1hr	0.4hr
*Initial unemployment claims (inverted)	May.	X			9.7%	13.8%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



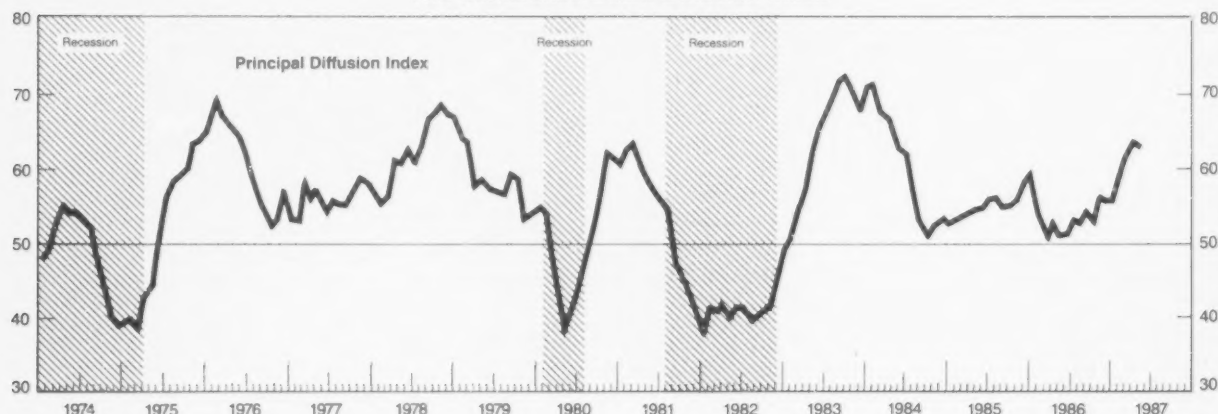
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1986	1987				
	May	Feb.	Mar.	Apr.	May(e)	
Principal Diffusion Index	50.0	58.9	61.9r	63.8r	63.5	
Auxiliary Diffusion Index	39.6	57.1	59.5r	56.4r	48.9	
Industrial Group	45.0	56.5	60.5r	61.6r	59.6	
Nonindustrial Group	55.1	61.4	63.2	66.0r	67.3	
Sense of Diffusion	0	1	1	1	1	
SUBGROUP DIFFUSION INDEXES						
Industrial Subgroups						
Production	60.7	63.7	69.2r	71.4r	76.3	
Labor	41.3	56.0	57.2	57.8	54.0	
Miscellaneous	30.8	46.8	55.8	56.4	48.7	
Nonindustrial Subgroups						
Prices	61.5	73.7	78.2	82.0r	85.3	
Consumer	61.5	68.8	68.8	73.5r	67.9	
Building	43.3	48.7	50.0	50.6r	51.9	
Miscellaneous	52.1	54.3	56.4	58.1	65.0	

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1984				1985				1986				1987
	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	
Score (scale 0-100)													
Measure of Business Confidence	61	57	61	52	51	55	61	61	50	51	55	55	
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	70	57	62	48	45	53	63	61	44	50	56	55	
2. Expectations for Economy, Six Months Ahead	57	57	61	53	53	56	62	62	52	51	54	53	
3. Expectations for Own Industry, Six Months Ahead	57	58	61	55	54	56	59	60	54	53	56	56	

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

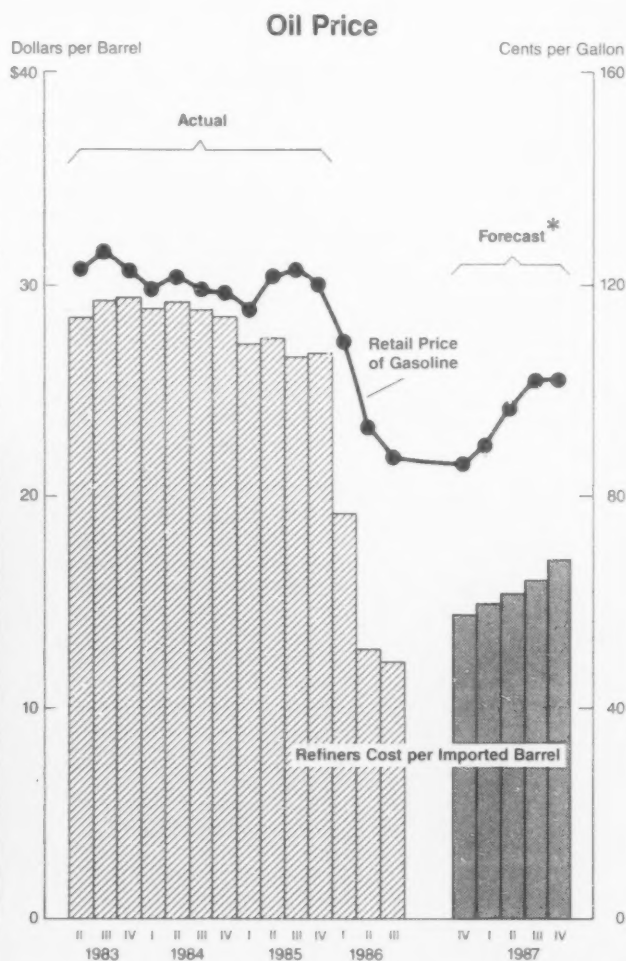
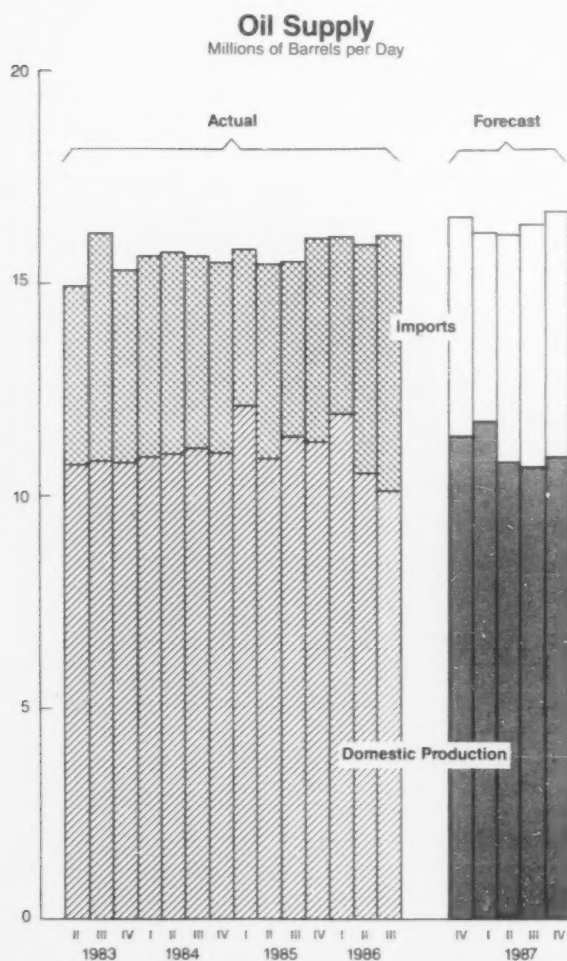
Billions of Dollars, Seasonally Adjusted

	1985		1986				1987	Percent Change From Previous Year	
	III	IV	I	II	III	IVr	Ip	Actual	Estimate
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	24.167	27.190	23.386	19.991	20.203	22.097	22.955	- 2	32
Capital expenditures	24.730	26.336	23.566	24.309	22.452	23.299	22.151	- 6	11
Change in appropriations backlog*	-2.702	-2.594	-2.368	-6.447	-5.060	-10.993	- 0.565		
Durable Goods									
New appropriations	12.031	12.005	11.613	9.578	10.051	10.807	10.431	- 3.5	26
Capital expenditures	12.299	12.676	11.479	11.880	12.186	12.915	12.088	- 6.4	7
Change in appropriations backlog*	-1.094	-3.063	-1.582	-3.824	-3.986	- 4.140	-2.537		
Nondurable Goods									
New appropriations	12.136	15.185	11.773	10.413	10.152	11.290	12.524	10.9	38
Capital expenditures	12.431	13.660	12.087	12.429	10.266	10.384	10.063	- 3.1	17
Change in appropriations backlog*	-1.608	+ 0.469	-0.786	-2.623	-1.074	- 6.853	+ 1.972		
ELECTRIC & GAS UTILITIES									
New appropriations	15.139r	5.093r	8.692r	9.084	5.094	5.044		+ 3	
Capital expenditures	9.366r	9.078r	8.417r	7.425	8.115	7.839		- 2.0	
Change in appropriations backlog*	+ 4.662r	-4.984r	-0.261r	+ 1.773	-7.325	-0.028			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments)



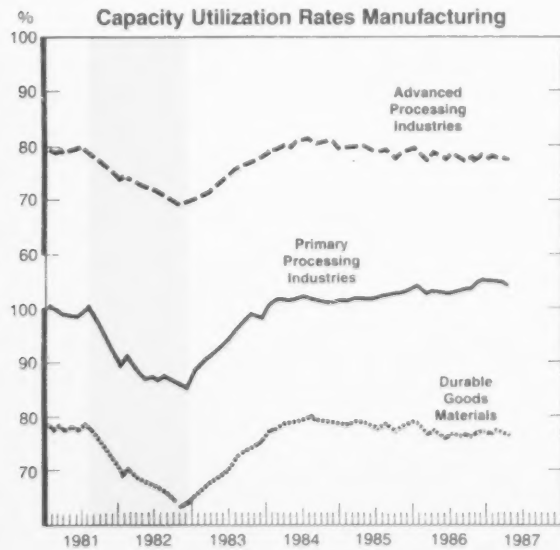
* Source of Forecast is The Energy Information Administration, Department of Energy.

Key Determinants of Profit Margin

Nonfinancial Corporations



Capacity Utilization Rates Manufacturing



Inventory - Sales Ratios



ECONOMIC FORECASTS

		U.C.L.A. ¹ Business Forecasting Project		Merrill Lynch ¹ Economics Inc.		E.I. duPont ¹ de Nemours & Co.		Georgia State University ¹		
Date of Forecast		Jun., 1987		Jun., 1987		Jun., 1987		Jun., 1987		
		Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change	
Gross National Product Billions of Current Dollars										
Actual	1987	I	\$4352.1	9.1%	\$4352.1	9.1%	\$4352.1	9.1%	\$4352.1	9.1%
		II	4416.2	6.0	4403.4	4.8	4415.7	6.0	4419.3	6.3
		III	4493.6	7.2	4473.8	6.6	4499.7	7.8	4489.7	6.5
		IV	4571.4	7.1	4547.1	6.7	4582.4	7.6	4564.7	6.9
	1988	I	4699.3	11.7	4630.6	7.6	4661.9	7.1	4653.3	8.0
		II	4751.5	4.5	4713.8	7.4	4743.6	7.2	4728.0	6.6
		III	4827.4	6.5	4798.3	7.4	4828.4	7.3	4805.6	6.7
		IV	4903.9	6.5	4886.3	7.5	4905.3	6.5	4871.8	5.6
	1989	I	4986.8	6.9	4980.1	7.9	4964.8	4.9	4932.1	5.0
		II	5069.4	6.8	5071.2	7.5	5027.3	5.1		
	1987	Annual	4458.3	6.0	4444.1	5.7	4462.5	6.1	4456.5	6.0
	1988	Annual	4795.5	7.6	4757.3	7.0	4784.8	7.2	4764.7	6.9
Gross National Product Billions of Constant (1982) Dollars										
Actual	1987	IV	\$3739.4	4.8%	\$3739.4	4.8%	\$3739.4	4.8%	\$3739.4	4.8%
		II	3763.5	2.6	3746.0	0.7	3758.0	2.0	3754.7	1.6
		III	3793.6	3.2	3764.5	2.0	3794.0	3.9	3772.9	2.0
		IV	3830.7	4.0	3782.1	1.9	3825.0	3.3	3794.4	2.3
	1988	I	3876.4	4.9	3801.6	2.1	3856.0	3.3	3826.7	3.4
		II	3906.8	3.2	3823.1	2.3	3885.0	3.0	3847.0	2.1
		III	3928.3	2.2	3844.0	2.2	3916.0	3.2	3866.1	2.0
		IV	3952.3	2.5	3866.7	2.4	3940.0	2.5	3875.7	1.0
	1989	I	3974.8	2.3	3889.0	2.3	3956.0	1.6	3880.5	0.5
		II	3998.4	2.4	3911.6	2.3	3971.0	1.5		
	1987	Annual	3781.8	2.9	3758.0	2.3	3779.1	2.8	3765.4	2.5
	1988	Annual	3916.0	3.5	3833.9	2.0	3899.3	3.2	3853.9	2.4
Gross National Product deflator Index, 1982 = 100										
Actual	1987	I	116.4	3.4%	116.4	3.4%	116.4	3.4%	116.4	3.4%
		II	117.3	3.3	117.5	4.1	117.5	3.9	117.7	4.6
		III	118.5	3.8	118.8	4.5	118.6	3.8	119.0	4.5
		IV	119.3	3.0	120.2	4.7	119.8	4.1	120.3	4.4
	1988	I	121.2	6.5	121.8	5.4	120.9	3.7	121.6	4.4
		II	121.6	1.3	123.3	5.0	122.1	4.0	122.9	4.3
		III	122.9	4.2	124.8	5.0	123.3	4.0	124.3	4.6
		IV	124.1	3.9	126.4	5.0	124.5	4.0	125.7	4.6
	1989	I	125.5	4.5	128.1	5.4	125.5	3.3	127.1	4.5
		II	126.8	4.3	129.6	5.1	126.6	3.6		
	1987	Annual	117.9	3.0	118.3	3.3	118.1	3.2	118.3	3.4
	1988	Annual	122.5	3.9	124.1	4.9	122.7	3.9	123.6	4.5
Unemployment Rate										
Actual	1987	I		6.7%		6.7%		6.7%		6.7%
		II		6.4		6.3		6.3		6.3
		III		6.4		6.3		6.2		6.3
		IV		6.4		6.4		6.3		6.1
	1988	I		6.2		6.4		6.3		6.0
		II		6.0		6.4		6.3		6.1
		III		5.9		6.2		6.3		6.1
		IV		5.9		6.2		6.4		6.2
	1989	I		5.9		6.2		6.6		6.3
		II		5.9		6.1		6.6		
	1987	Annual		6.5		6.4		6.4		6.4
	1988	Annual		6.0		6.3		6.3		6.1

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

¹Based on revised second revision first quarter data.

THE ECONOMIC FORECASTS (continued)

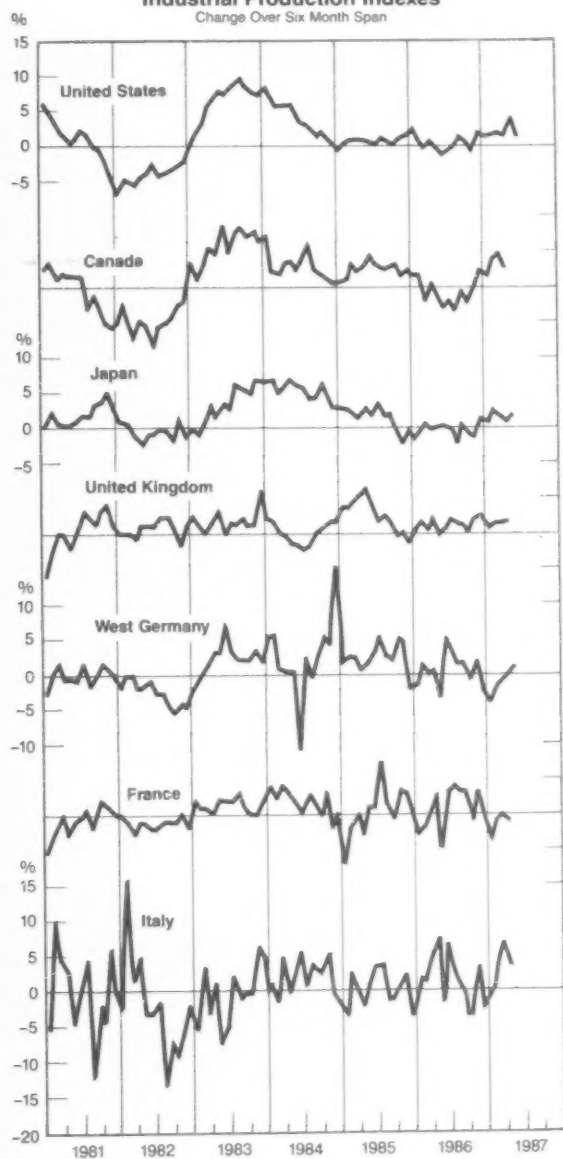
The Conference Board ¹		Laurence H. Meyer Associates, Inc. ¹		Data Resources Inc. ¹		Wharton E.F.A. Inc. ¹				
Jun., 1987		Jun., 1987		Jun., 1987		Jun., 1987		Date of Forecast		
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
Gross National Product Billions of Current Dollars										
\$4352.1	9.1%	\$4352.1	9.1%	\$4352.1	9.1%	\$4352.1	9.1%	I	1987	Actual
4413.0	5.7	4397.9	4.3	4410.6	5.5	4405.2	5.0	II		
4484.0	6.6	4454.3	5.2	4486.2	7.0	4457.8	4.9	III		
4556.0	6.6	4523.3	6.3	4550.0	5.8	4550.2	8.6	IV		
4613.0	5.1	4588.1	5.9	4636.4	7.8	4640.6	8.2	I	1988	
4679.0	5.8	4645.5	5.1	4694.4	5.1	4728.1	7.8	II		
4759.0	7.0	4715.1	6.1	4753.2	5.1	4816.3	7.7	III		
4848.0	7.7	4792.8	6.8	4820.6	5.8	4898.8	7.0	IV		
		4869.9	6.6	4900.6	6.8	4982.1	7.0	I	1989	
		4944.5	6.3	4978.8	6.5	5060.1	6.4	II		
4451.3	5.8	4431.9	5.4	4449.7	5.8	4441.3	5.6	Annual	1987	
4724.8	6.1	4685.4	5.7	4726.2	6.2	4771.0	7.4	Annual	1988	
Gross National Product Billions of Constant (1982) Dollars										
\$3739.4	4.8%	\$3739.4	4.8%	\$3739.4	4.8%	\$3739.4	4.8%	I	1987	Actual
3755.7	1.8	3743.6	0.5	3757.2	1.9	3752.4	1.4	II		
3777.6	2.4	3759.8	1.7	3785.8	3.1	3758.8	0.7	III		
3796.7	2.0	3786.5	2.9	3812.3	2.8	3796.8	4.1	IV		
3806.1	1.0	3802.6	1.7	3849.5	4.0	3832.4	3.8	I	1988	
3819.6	1.4	3821.4	2.0	3862.0	1.3	3861.9	3.1	II		
3841.0	2.3	3848.7	2.9	3873.2	1.2	3889.9	2.9	III		
3866.0	2.6	3851.9	0.3	3894.4	2.2	3911.0	2.2	IV		
		3906.0	5.7	3919.2	2.6	3931.8	2.1	I	1989	
		3931.6	2.6	3943.3	2.5	3946.0	1.5	II		
3767.4	2.5	3757.3	2.2	3773.7	2.7	3761.9	2.4	Annual	1987	
3833.2	1.7	3831.2	2.0	3869.8	2.5	3873.8	3.0	Annual	1988	
Gross National Product deflator Index, 1982 = 100										
116.4	3.4%	116.4	3.4%	116.4	3.4%	116.4	3.4%	I	1987	Actual
117.5	3.9	117.5	3.8	117.4	3.5	117.4	3.5	II		
118.7	4.1	118.5	3.4	118.5	3.8	118.6	4.2	III		
120.0	4.5	119.5	3.4	119.4	2.9	119.8	4.3	IV		
121.2	4.1	120.7	4.1	120.4	3.7	121.1	4.2	I	1988	
122.5	4.4	121.6	3.0	121.6	3.7	122.4	4.5	II		
123.9	4.7	122.5	3.1	122.7	3.9	123.8	4.6	III		
125.4	4.9	124.4	6.4	123.8	3.5	125.3	4.7	IV		
		124.7	0.8	125.0	4.1	126.7	4.7	I	1989	
				126.3	4.0	128.2	4.9	II		
118.1	3.2	117.9	3.1	117.9	3.0	118.1	3.2	Annual	1987	
123.3	4.3	122.3	3.7	122.1	3.6	123.1	4.3	Annual	1988	
Unemployment Rate										
6.7%		6.7%		6.7%		6.7%		I	1987	Actual
6.4		6.3		6.3		6.3		II		
6.3		6.4		6.5		6.5		III		
6.3		6.4		6.5		6.5		IV		
6.6		6.5		6.4		6.4		I	1988	
6.8		6.5		6.4		6.3		II		
6.9		6.4		6.4		6.3		III		
6.9		6.4		6.4		6.2		IV		
		6.2		6.4		6.3		I	1989	
		6.1		6.4		6.4		II		
6.4		6.5		6.5		6.5		Annual	1987	
6.8		6.5		6.4		6.3		Annual	1988	

ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes in LOTUS and other formats. For more information, contact Linette Waters at (212) 759-0900.

Selected International Comparisons

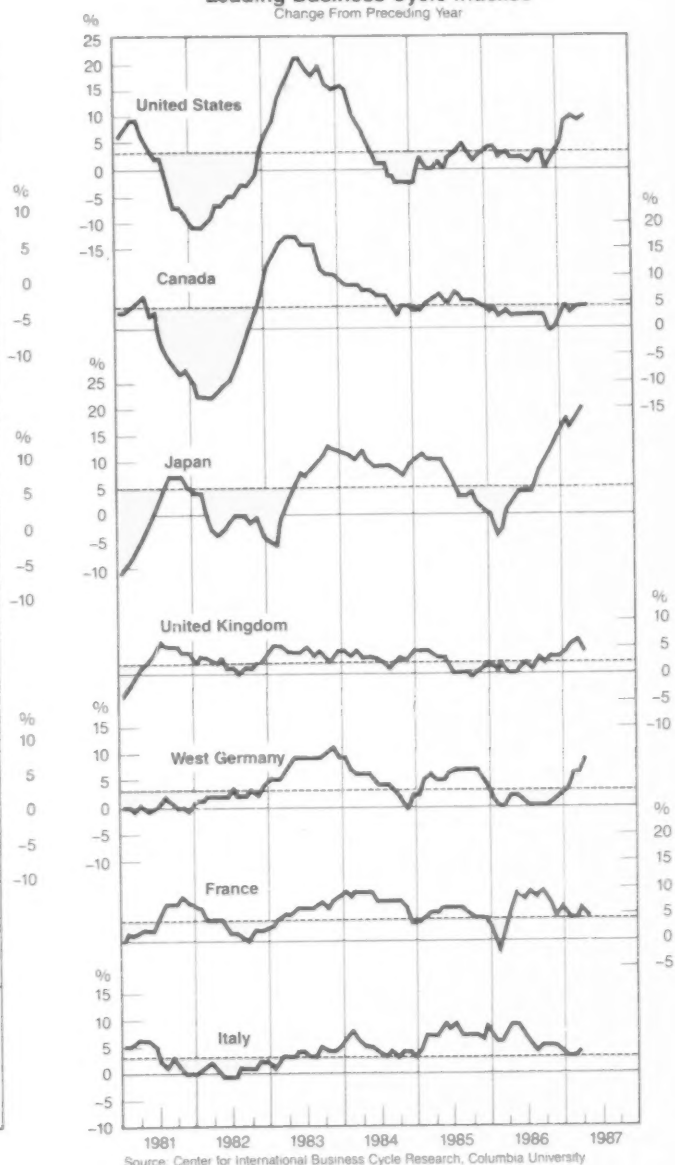
Industrial Production Indexes

Change Over Six Month Span



Leading Business Cycle Indexes

Change From Preceding Year



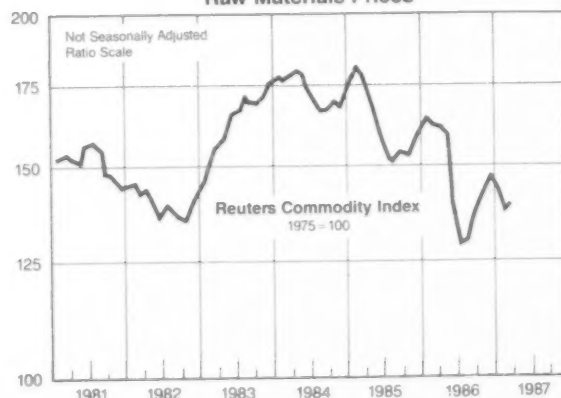
Merchandise Trade: Value of Exports

Billions of Dollars
Not Seasonally Adjusted
Ratio Scale



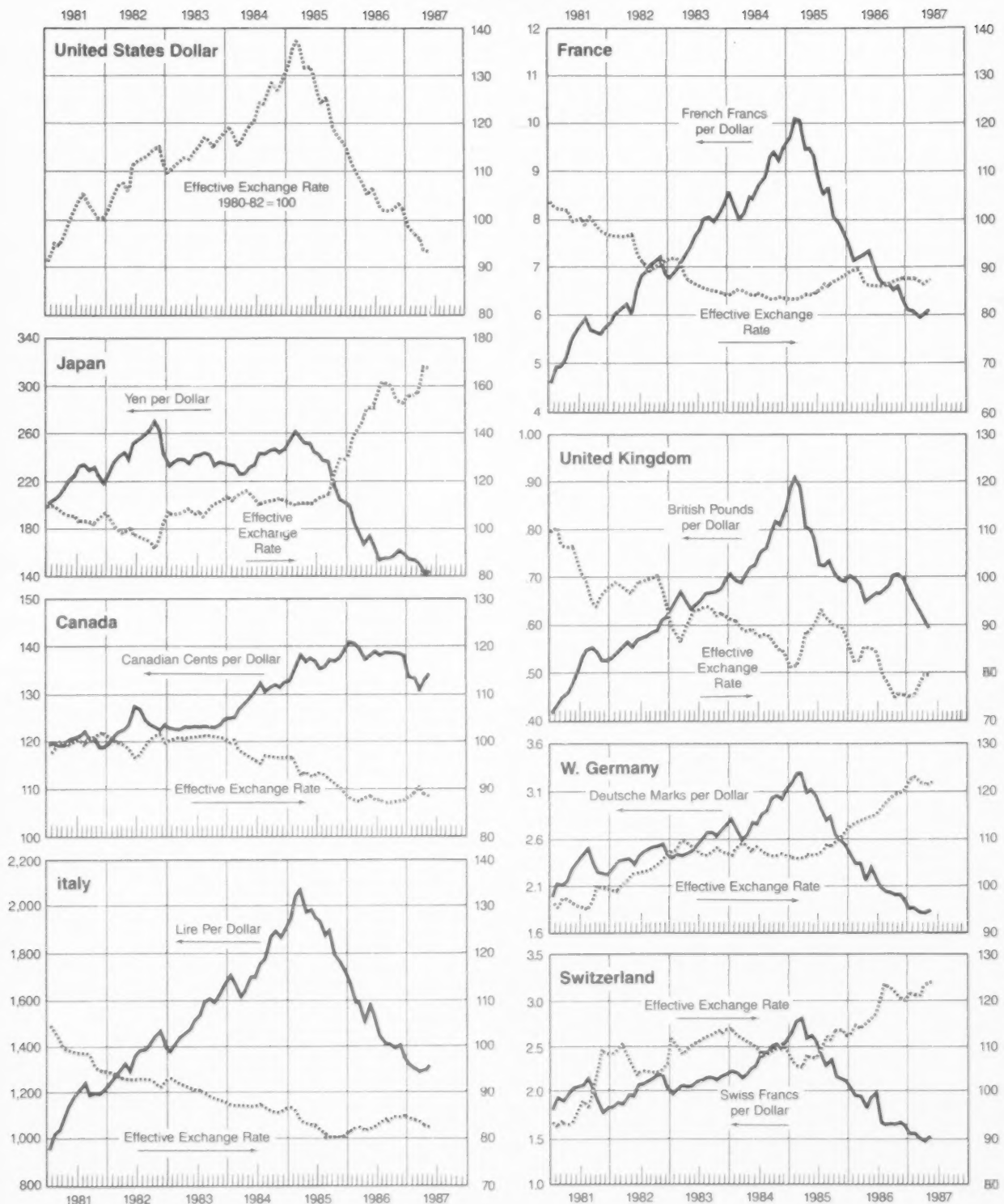
Raw Materials Prices

Not Seasonally Adjusted
Ratio Scale



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates: index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

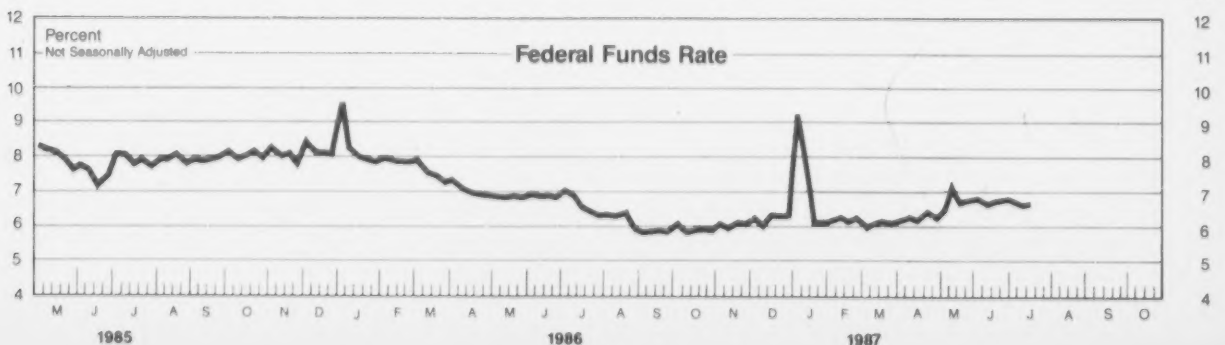
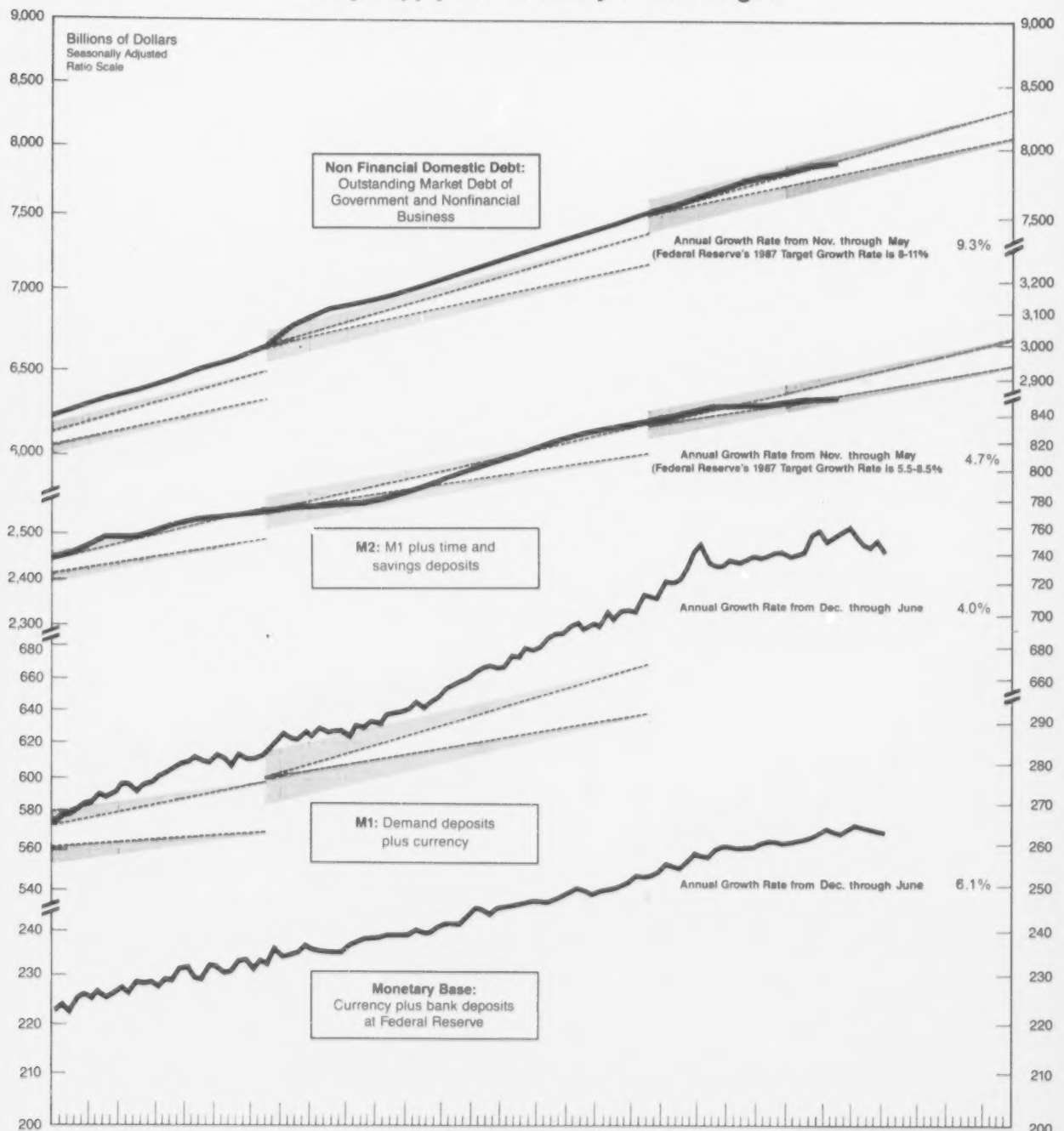
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986	Fiscal 1987		Fiscal 1988
	Actual	Administration's Latest Estimate (1/5/87)	Administration's Latest Estimate (1/5/87)	Congress's Latest Estimate (6/17/87)
Receipts	\$769.1	\$842.4	\$916.6	\$ 918.1
Outlays	989.8	1,015.6	1,024.3	1,055.5
Deficit	-220.7	-173.2	-107.8	-137.4
Receipts by source	\$769.1	\$842.4	\$916.6	\$ 918.1
Individual income	349.0	364.0	392.8	
Social security	283.9	301.5	333.2	
Corporate income	63.1	104.8	117.2	
Other receipts	73.1	72.1	73.4	
Outlays by function	\$989.2	\$1,015.6	\$1,024.2	\$1,055.5
National defense	273.4	282.2	297.6	289.5
Social security	269.0	279.5	292.4	302.4
Income security	119.8	124.9	124.8	131.5
Health	35.9	39.7	38.9	44.9
Education & manpower	29.7	29.8	28.4	32.9
Veterans benefits	26.4	26.7	27.2	27.4
Transportation	28.1	27.0	25.5	28.3
Agriculture	31.4	31.1	26.3	28.6
International affairs	14.2	14.6	15.2	16.1
Natural resources	13.6	13.9	14.2	15.1
General science	9.0	9.5	11.4	11.1
Justice	6.6	8.3	9.2	9.4
General government	6.1	6.8	7.5	7.2
Community development	7.5	6.2	5.5	6.6
Commerce, Housing credit	4.4	9.3	2.5	7.8
Energy	4.7	3.8	3.3	4.6
Revenue sharing	6.4	1.9	1.5	1.8
Interest	136.0	137.5	139.0	139.3
Allowances	0.0	0.0	- 0.8	- 0.7
Offsetting receipts	- 33.0	- 37.1	- 45.4	- 47.9

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP				
Current Dollar	\$4,218	\$4,493	\$4,816	\$4,779
Constant (1982) Dollar	3,681	3,794	3,928	3,898
Percent change in				
Current dollar	5.5%	6.5%	7.2%	6.9%
Constant (1982) dollar	2.7	3.1	3.5	3.0
Implicit price index	2.8	3.3	3.5	3.8
Consumer price index	1.6	3.0	3.6	4.3
91-Day T bill rate	6.0	5.4	5.6	5.6
Unemployment rate	6.9	6.7	6.3	6.5

Money Supply and Monetary Growth Targets



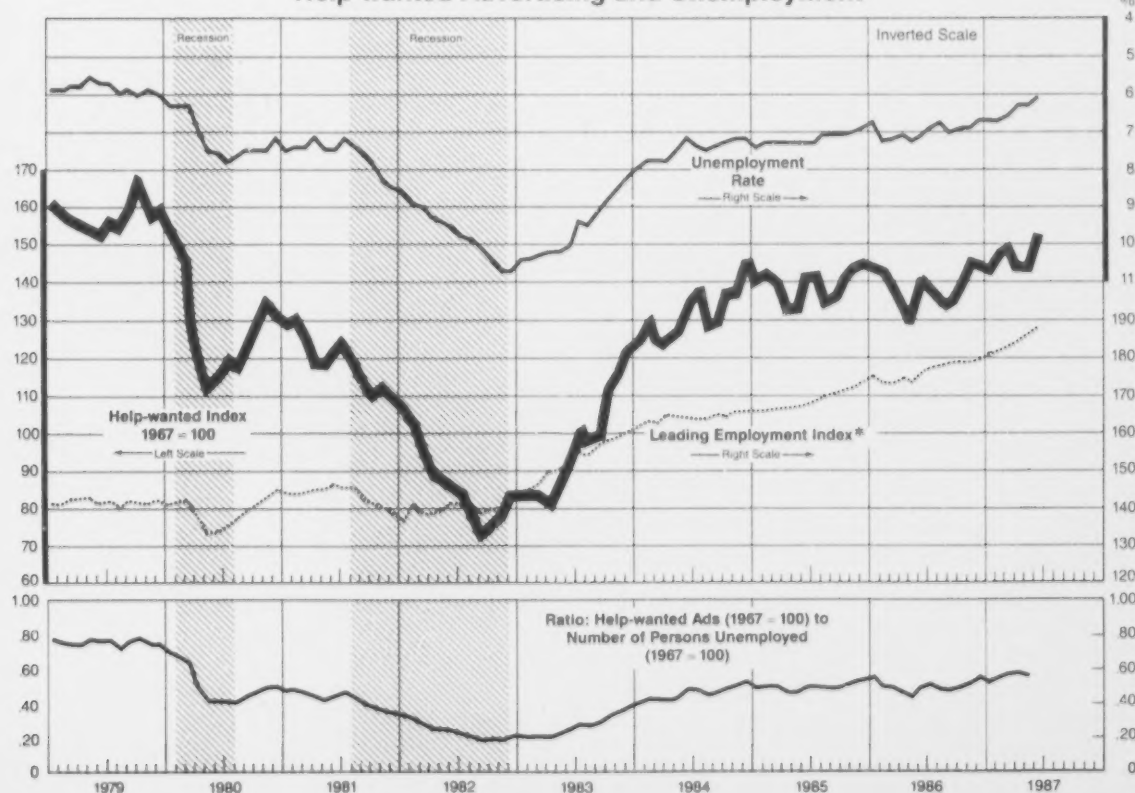
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

Locality	1987			1986			1987			1986		
	May	Apr.	Mar.	May	Apr.	Mar.	May	Apr.	Mar.	May	Apr.	Mar.
National Index	143	144	150	128								
New England	175	183	186	157								
Boston	185	183	189	164			Charlotte	186	183	202	145	
Hartford	187	192	193	164			Jacksonville	238	233	237	217	
Providence	129	174	169	125			Miami	96	96	114	77	
							Richmond	161	147	158	137	
							Washington, D.C.	194	184	216	167	
Middle Atlantic	83	82	87	71			East South Central	150	168	172	143	
Albany	200	194	184	182			Birmingham	110	147	165	152	
Allentown	306	302	316	197			Knoxville	270	255	282	212	
New York	64	64	66	57			Louisville	83	78	89	80	
Philadelphia	70	70	80	59			Memphis	144	142	145	126	
Pittsburgh	85	82	98	75			Nashville	210	276r	242	190	
Rochester	82	83	89	77			West South Central	155	151	160	163	
Syracuse	135	123	139	127			Dallas	136	139	142	187	
East North Central	97	94	101	86			Houston	215	205	230	200	
Chicago	111	105	113	89			New Orleans	113	109	106	95	
Cincinnati	148	145	155	140			Oklahoma City	102	101	104	108	
Cleveland	63	59	67	56			San Antonio	142	143	153	167	
Columbus	173	158	178	144			Tulsa	130	116	117	117	
Dayton	85	81	86	82			Mountain	274	276r	300	269	
Detroit	56	55	60	64			Denver	181	172	189	157	
Gary	151	129	143	125			Phoenix	345	408	439	410	
Indianapolis	90	110	112	101			Salt Lake City	353	294r	320	286	
Milwaukee	61	67	66	52			Pacific	220	230	225	192	
Toledo	123	124	129	114			Los Angeles	156	158	150	136	
West North Central	92	89	97	82			Sacramento	461	449	439	279	
Kansas City	140	129	138	129			San Bernadino	272	281	283	217	
Minneapolis	80	79	90	63			San Diego	531	536	534	457	
Omaha	138	137	141	108			San Francisco	191	230	231	202	
St. Louis	63	63	68	65			Seattle	226	219	219	189	
South Atlantic	205	203	215	175			Percentage of papers with rising volume	67			29	
Atlanta	259	251	273r	251			Unemployment rate	6.3		6.6	7.2	
Baltimore	263	284	248	195								

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1984	103.9	101.0	101.1	106.1	104.8	105.8	100.4	103.1	100.0	99.1	105.4	97.0
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0r	102.0p						

Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	104.5	104.4	103.1	124.7	109.0	111.3	107.2	108.2	105.3	98.8	93.0	103.6
1987	98.9	93.1	98.7	89.7	113.4r	92.5p						

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

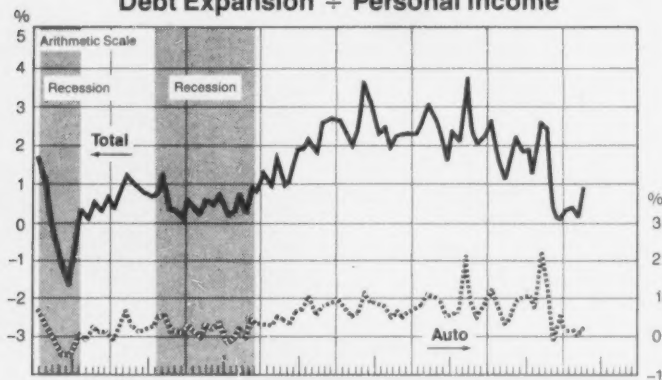
Surveys are conducted by National Family Opinion, Inc.



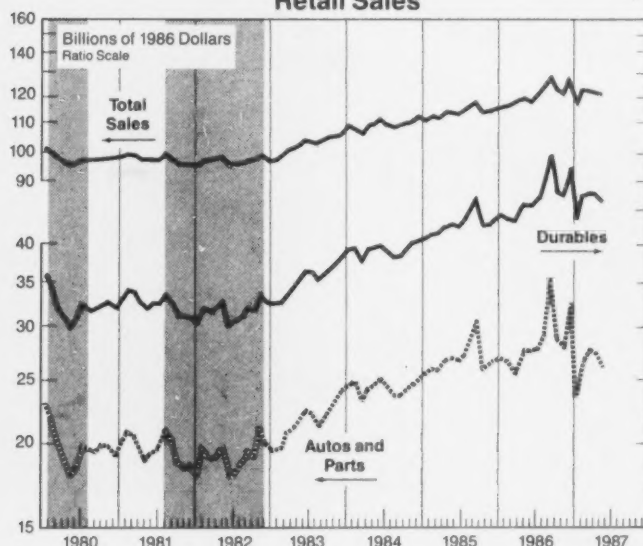
CBDB

ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes, in LOTUS and other formats. Contact Linette Waters: 800-US-BOARD; in NYC, (212) 759-0900.

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



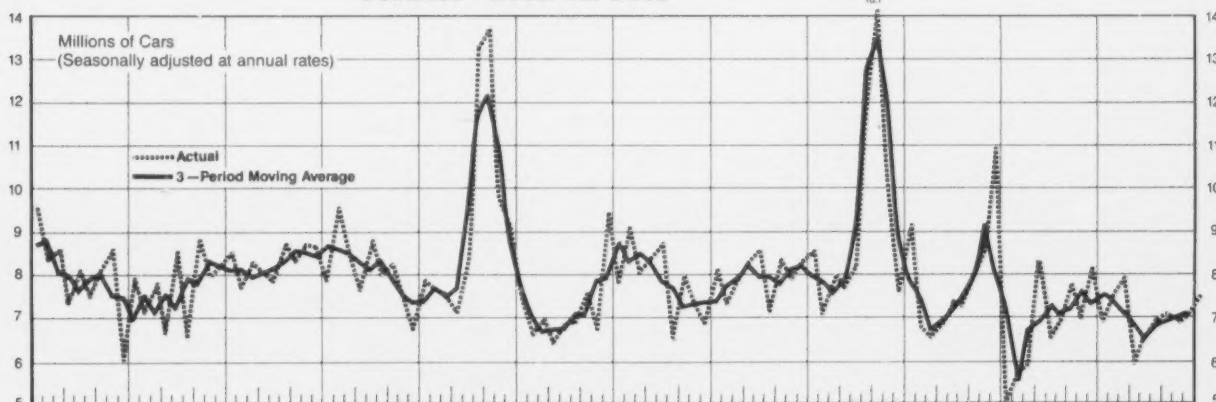
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

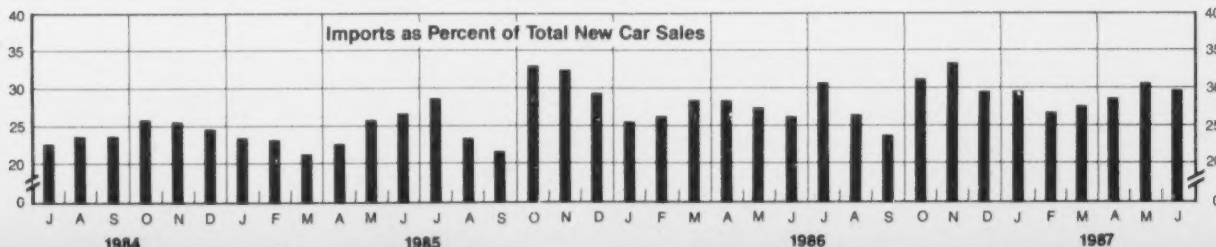
Periods	1984	1985	1986	1987
January: 1-10	8.16	8.46	7.76	4.78
11-20	7.84	7.66	9.05	5.71
21-31	9.15	8.23	8.02	5.95
February: 1-10	7.79	8.01	8.36	8.26
11-20	9.17	7.84	8.71	6.46
21-28(29)	7.60	8.69	6.47	6.87
March: 1-10	7.35	8.27	7.93	7.76
11-20	8.13	8.73	7.23	6.95
21-31	7.35	8.67	6.81	8.13
April: 1-10	8.88	7.84	8.06	6.85
11-20	7.96	9.48	7.25	7.52
21-30	8.60	8.42	7.92	7.89
May: 1-10	8.19	7.60	8.30	5.93
11-20	7.74	8.78	8.57	6.44
21-31	8.43	7.96	7.09	6.96
June: 1-10	7.22	8.21	8.27	6.95
11-20	8.25	7.51	7.84	7.03
21-30	8.10	6.71	8.30	7.45
July: 1-10	9.51	7.81	8.50	
11-20	8.32	7.63	7.03	
21-31	8.59	7.57	7.96	
August: 1-10	7.33	7.09	7.64	
11-20	8.07	8.30	8.19	
21-31	7.43	13.23	11.65	
September: 1-10	8.13	13.64	18.67	
11-20	8.52	9.70	9.87	
21-30	6.03	9.10	7.58	
October: 1-10	7.83	7.40	9.07	
11-20	7.07	6.57	6.72	
21-31	7.70	6.92	6.51	
November: 1-10	6.60	6.40	6.80	
11-20	8.44	6.81	7.32	
21-30	6.57	6.91	7.23	
December: 1-10	8.75	7.56	7.95	
11-20	7.96	6.69	8.54	
21-31	8.19	9.31	10.93	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales



Imports as Percent of Total New Car Sales



171790000001 0000 000
Statistical Reference Index
Acquisitions
4520 East West Highway - Suite 800
Bethesda, MD 20814

STATISTICAL BULLETIN

R4105-3A

Highlights

- CAR SALES ARE SLUGGISH, WHILE HOME BUYING CONTINUES TO FALTER
- AND CONSUMER DEMAND FOR OTHER DURABLE GOODS IS DECLINING
- BUT NEW ORDERS HAVE IMPROVED
- AND EXPORT GROWTH HAS QUICKENED
- SO INDUSTRIAL CONDITIONS HAVE BRIGHTENED SOMEWHAT
- AND LABOR MARKET ACTIVITY IS EXPANDING
- HOWEVER, INCOME GROWTH SHOWS NO SIGN OF QUICKENING
- OUTLOOK • AVERAGE ECONOMIC GROWTH OF 2½% OVER THE SECOND HALF OF 1987 AND ALL OF 1988

Volume 20, No. 12, August, 1987

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The Conference Board



THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: As the second half of 1987 got underway, some forecasts became easier to call. One of the safest calls is that wage-income growth is unlikely to accelerate. That will clearly limit the growth of consumer demand. As spending growth falters, durable-goods inventory will continue to pile up, and/or industrial production growth will be constrained. The good news is that rising labor costs are not putting upward pressure on prices at present.

A second factor in the outlook is that the news on the trade front continues to be good. A cheaper dollar, slow-growth in consumer demand, and other factors are dampening imports. Meanwhile, exports have picked up, except those destined for European markets. The improved trade picture is generating some rise in domestic output. In the process, labor demand is being stimulated, albeit modestly.

One other important factor affecting the second-quarter outlook is recovering business investment. In fact, recently revised statistics show that investment data were previously overstated. That may indicate that equipment requirements have been understated.

DOMESTIC MARKET MONITOR

July's good news about the labor market needs to be qualified. It's true that job growth surged. But three-fourths of those new jobs were part-time. Moreover, the total number of hours worked was no higher in July than in May. And, the employed portion of the adult population was at the same level in July as in May.

Still, there was some genuine good news. New hiring is likely to continue in the second half of this year. The Conference Board's **Help-wanted Index**, a measure of change in labor demand, was substantially higher in June than one year earlier. Moreover, early returns to the July survey suggest that job advertising continued to rise.

Another positive sign was the wide dispersion of new hiring. Nondurable-manufacturing employment has been inching up. And, with the exception of the motor-vehicle industry, jobs in durable manufacturing revived in July.

INCOME: Average hourly pay rates in private industry remain flat. The average rate was \$8.96 in July, compared with \$8.95 in May.

Given no real rise in hourly rates, and not much change in total hours worked, wage-income growth remains modest. Wage income in commodity-producing industry was only 0.3% higher in June than 3 months earlier. Wages in other industries were 1.7% higher. Nonwage income may be slowing.

Consumers continue to hold down borrowing. The net change in installment debt was no higher in June than the modest rise in April. Given rising income, overall consumer indebtedness continues to fall. But slow income growth and little change in borrowing are stifling demand.

On a brighter note, consumer attitudes were more positive at mid-1987 than at anytime since late 1984. Consumers have upgraded their assessment of present business conditions but remain skeptical about the outlook over the next 6 months.

SPENDING: The rise in buying has clearly slowed. Nondurable retail sales were 0.4% higher in June than 3 months earlier. Sales of durables, except cars, were 17.5% lower. Spending on services has been a little stronger than retail sales.

New domestic **Automobile Sales** remain sluggish. The seasonally adjusted annual rate in July was no higher than in April. And even though foreign-model sales quickened a bit in July, they were slower than those through much of 1986.

CONSTRUCTION: The housing slump remains deep and pervasive. Single-family sales were 8.6% lower in June than 3 months earlier. Even if mortgage rates come down a bit, home prices will continue to climb. The sales slump is causing building cutbacks in most regions of the country. Multi-unit housing is in no better shape.

Nonresidential construction, which seemed to be coming out a slump, fell sharply in June. Spending on industrial building was the only segment that continued to recover from earlier cutbacks.

PRODUCTION: Recent gains in output have been fairly strong but narrowly concentrated. Raw-material output is rising sharply, as energy production recovers. Production of business equipment was 0.2% higher in June than 3 months earlier. Defense- and space-related material was 0.5% higher. But finished consumer goods were 0.3% lower. Moreover, the data on hours worked in July indicate that production probably did not rise that month.

Recent gains in output have not generated any move to employ idle resources. The overall capacity utilization rate stood at 79.7% in June, compared with 79.6% in March. And without increases in mining and utilities, the overall rate would have declined. Capacity use in manufacturing was 80.1% in June, compared with 80.3% in March.

The improvement in industrial conditions is tied to the recent pickup in new orders. Total new orders for durable goods were 2.4% higher in June than 3 months earlier. Ship-

Ken Goldstein, Editor

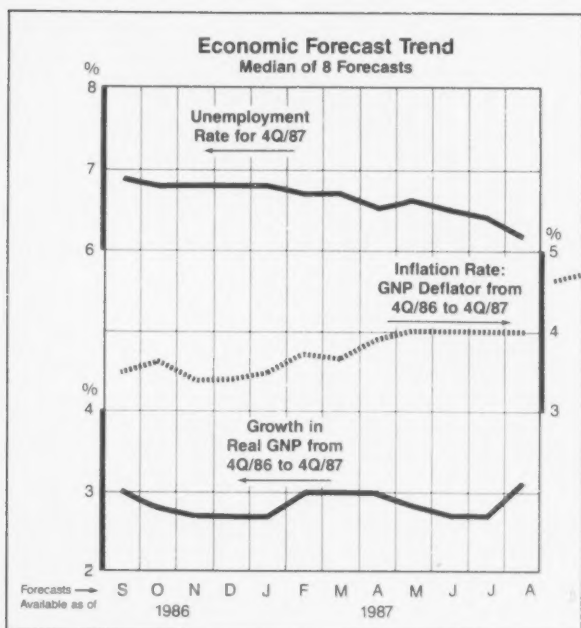
STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.

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New York, New York 10022

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ments of old orders were 0.2% lower. Thus, a backlog of unfilled orders is developing. Even if production was flat in July, production schedules will probably be stepped up in order to work off the backlog. That may be what's behind the gain, albeit modest, in both durable and nondurable manufacturing employment.

Two other noteworthy points: 1) Not all the gain in new orders was defense related (nondefense capital goods orders were up 7.9%, and all other nondefense orders were 6.2% higher.) Second, orders were up for both raw materials and for finished goods.

INVENTORY: One reason production gains haven't been stronger is that inventory, especially of durable goods, has been accumulating—no doubt due to the drop in consumer buying. Auto inventory at the retail level was 4.1% higher in May than 3 months earlier; other durable goods at the retail level were 2.6% higher.

INFLATION: Raw industrial commodity prices were recovering, even when industrial conditions were sluggish. It isn't surprising, then, that prices for these commodities jumped 1.1% in July, following a 1.3% rise in June.

The rise in farm prices has slowed, however. Crop prices were only 2.3% higher in July than 3 months earlier. But prices paid by farmers have started to rise and that might exert upward pressure on food prices. Higher food and recovering energy prices are showing up at the wholesale level. But wholesale prices for finished consumer goods,

except food and energy, were flat in July and June. And the CPI rose by 0.3% or 0.4% in each of the last 5 months.

Lackluster buying is probably preventing higher commodity prices from being passed on to the consumer. The consensus of the **Economic Forecasts** is for an annualized 4½% to 5% rise in the CPI in the fourth quarter of this year. The increase in the CPI is not expected to exceed 5½% through the forecast horizon (third quarter of 1989.)

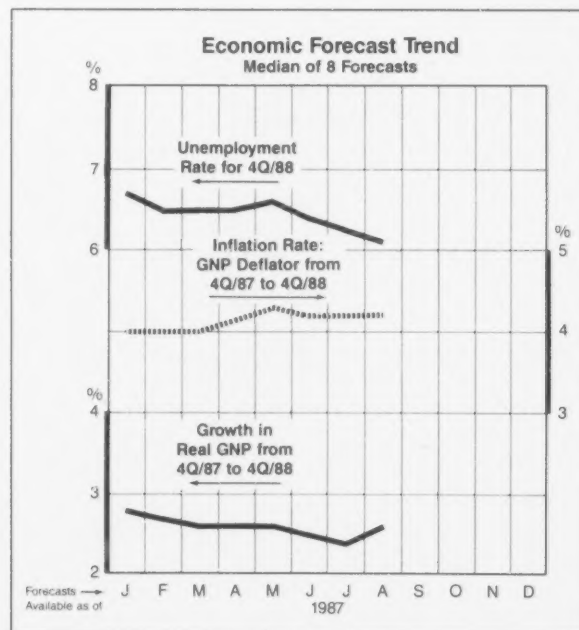
INTERNATIONAL MONITOR

One continuing bright spot is the slow rise in imports. Shipments of manufactured products were 4.3% higher in May than 3 months earlier. And that reflects a 17% rise in imports of aircraft and parts. With that one exception, imports of manufactured goods are rising quite modestly.

Export growth has picked up a bit. Total exports were 9.5% higher in May than 3 months earlier. Exports of manufactured products were 10.3% higher, despite a 16% drop in aircraft and parts. With that one exception, export growth has clearly improved.

Export growth was widely diffused, except for shipments to the EEC (which were 4.1% lower in May than 3 months earlier) and to other European countries (0.3% lower.)

Ken Goldstein
August 13, 1987

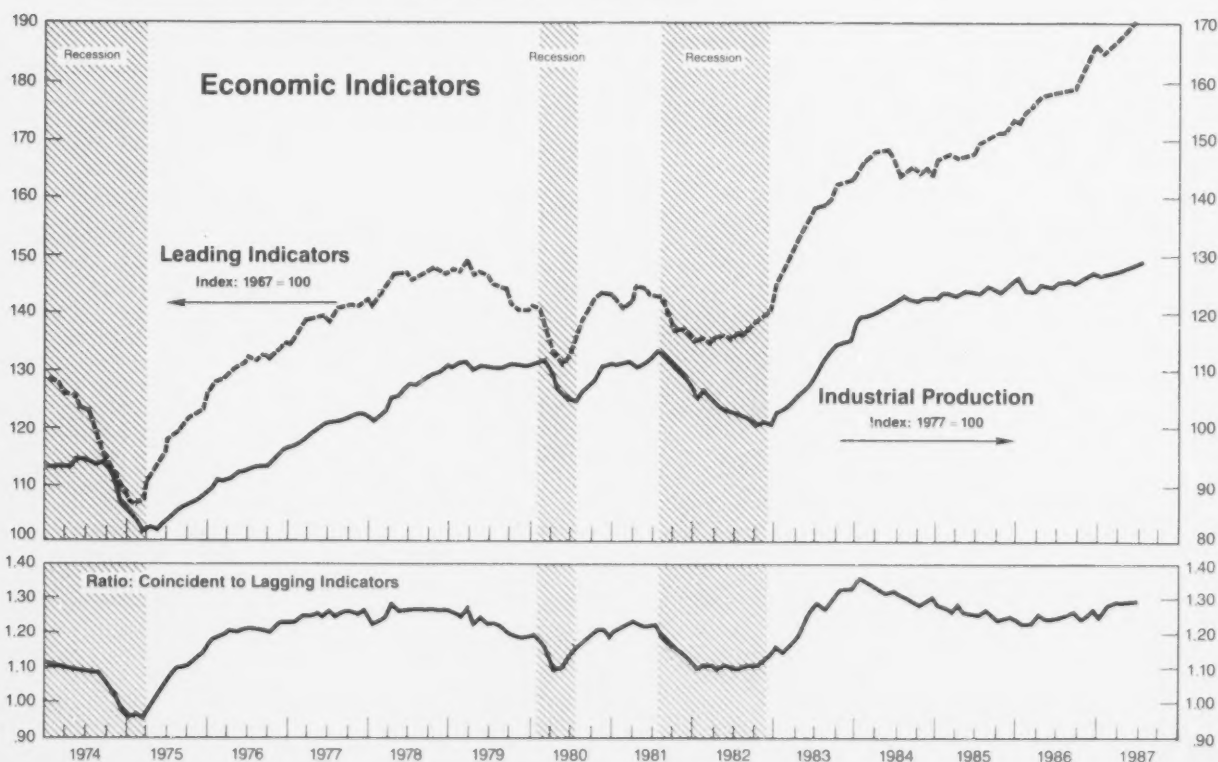


STATUS OF LEADING ECONOMIC INDICATORS

		Rising (Classification based on movement of series over several months)	Level	Declining	Change over Latest Three Months	Change from Year-Ago
Leading Economic Indicators	Jun.	X			1.4%	6.8%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Jun.	X			6.4%	9.7%
New orders, nondefense capital goods (deflated)	Jun.		X		5.1%	9.1%
*New business formation	Jun.			X	- 3.9%	- 1.5%
*Housing permits	Jun.			X	-11.7%	-15.4%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Jun.		X		- 1.0%	5.7%
*Change in inventory, on hand & order (deflated)	May		X		13.3%	-15.9%
Purchasing agents' buying policy	Jun.			X	- 3.0%	0.0%
*Vendor performance, reported slower deliveries	Jun.			X	2.0%	7.0%
Industrial raw materials prices	Jul.	X			11.7%	24.6%
*Change in sensitive material prices	Jun.	X			1.6%	1.3%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Jun.			X	- 0.5%	2.7%
Change in business loans	Jun.		X		- 64.7%	145.0%
*Change in credit outstanding	May			X	4.0%	- 3.4%
Change in consumer installment debt	May			X	-18.8%	-57.6%
Profitability						
Total corporate profits, after tax (deflated)	1st.Q			X	- 5.2%	- 7.5%
*Common stock prices	Jul.	X			6.3%	28.0%
Marginal Employment Adjustments						
*Average workweek, mfg.	Jun.		X		0.1hr	0.4hr
*Initial unemployment claims (inverted)	Jun..	X			4.1%	13.5%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



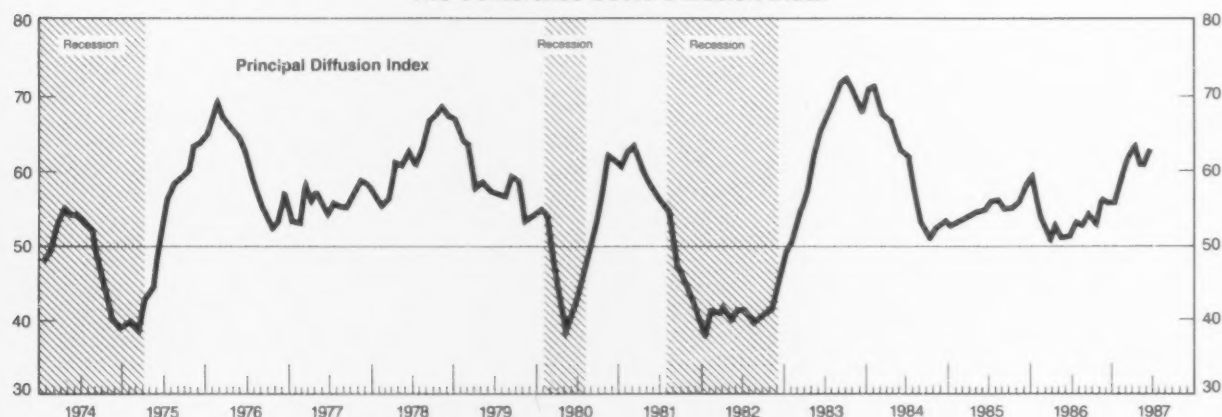
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1986	1987			
	Jun.	Mar.	Apr.	May	Jun.(e)
Principal Diffusion Index	52.0	62.0r	63.5r	62.0r	62.9
Auxiliary Diffusion Index	52.1	59.3r	54.9r	45.0r	53.2
Industrial Group	47.3	60.5	60.8r	59.7r	60.4
Nonindustrial Group	56.6	63.5r	66.2r	64.2r	65.5
Sense of Diffusion	0	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	61.5	69.2	68.8r	68.8r	68.4
Labor	41.5	57.2	57.8	55.5r	54.4
Miscellaneous	40.4	55.8	56.4	56.4r	63.5
Nonindustrial Subgroups					
Prices	68.6	78.2	82.1r	85.3	88.5
Consumer	69.7	69.7r	73.9r	67.9	72.6
Building	36.2	50.0	50.6	44.2r	37.8
Miscellaneous	49.1	56.4	58.1	59.8r	61.5

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1984				1985				1986				1987
	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	May
Score (scale 0-100)													
Measure of Business Confidence	61	57	61	52	51	55	61	61	50	51	55	55	
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	70	57	62	48	45	53	63	61	44	50	56	55	
2. Expectations for Economy, Six Months Ahead	57	57	61	53	53	56	62	62	52	51	54	53	
3. Expectations for Own Industry, Six Months Ahead	57	58	61	55	54	56	59	60	54	53	56	56	

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

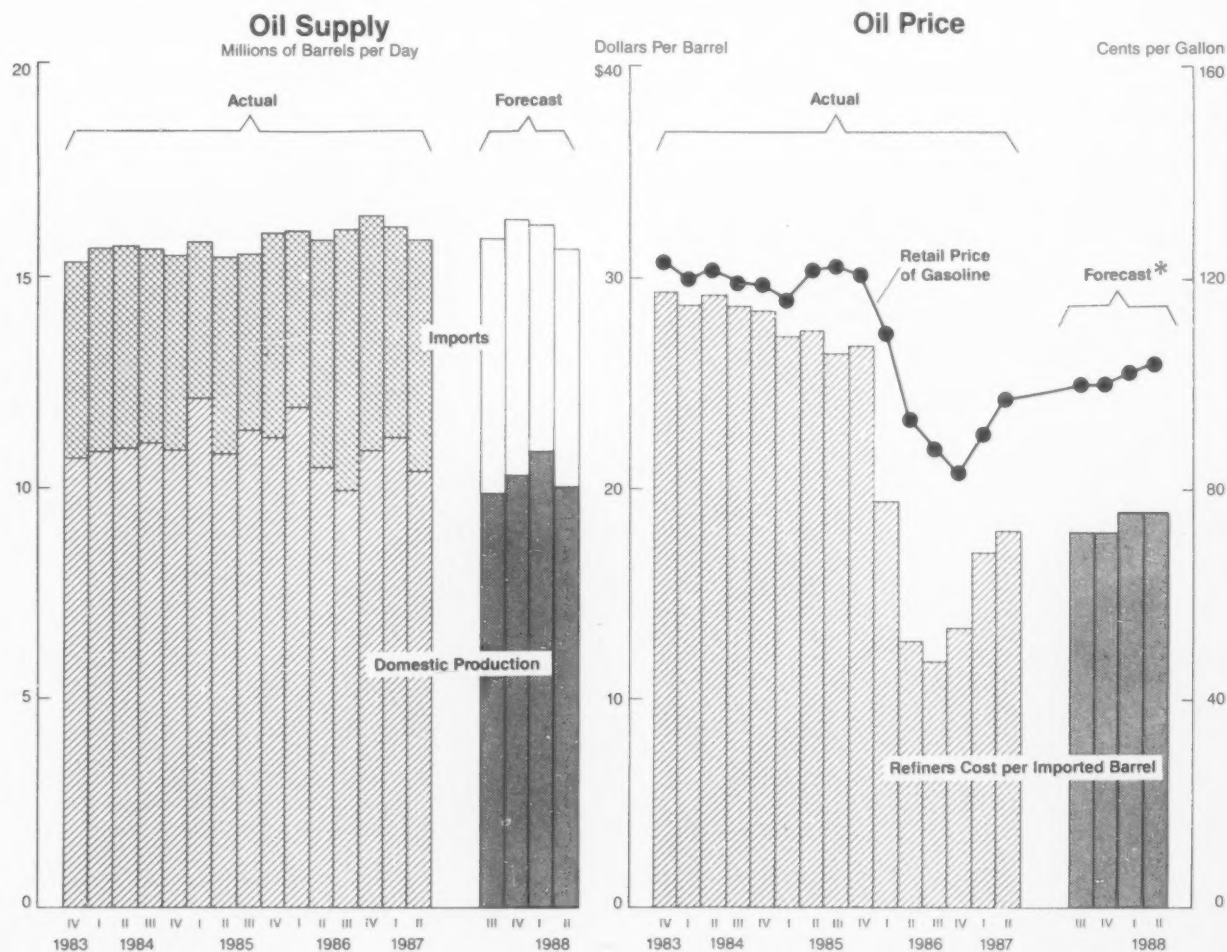
	1985		1986				1987	Percent Change From Previous Year	
	III	IV	I	II	III	IVr	Ip	Actual	Estimate
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	24.167	27.190	23.386	19.991	20.203	22.097	22.955	- 2	32
Capital expenditures	24.730	26.336	23.566	24.309	22.452	23.299	22.151	- 6	11
Change in appropriations backlog*	-2.702	-2.594	-2.368	-6.447	-5.060	-10.993	- 0.565		
Durable Goods									
New appropriations	12.031	12.005	11.613	9.578	10.051	10.807	10.431	- 3.5	26
Capital expenditures	12.299	12.676	11.479	11.880	12.186	12.915	12.088	- 6.4	7
Change in appropriations backlog*	-1.094	-3.063	-1.582	-3.824	-3.986	- 4.140	-2.537		
Nondurable Goods									
New appropriations	12.136	15.185	11.773	10.413	10.152	11.290	12.524	10.9	38
Capital expenditures	12.431	13.660	12.087	12.429	10.266	10.384	10.063	- 3.1	17
Change in appropriations backlog*	-1.608	+ 0.469	-0.786	-2.623	-1.074	- 6.853	+ 1.972		
ELECTRIC & GAS UTILITIES									
New appropriations	15.139r	5.093r	8.692r	9.084	5.094	5.044		+ 3	
Capital expenditures	9.366r	9.078r	8.417r	7.425	8.115	7.839		- 2.0	
Change in appropriations backlog*	+ 4.662r	-4.984r	-0.261r	+ 1.773	-7.325	-0.028			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised

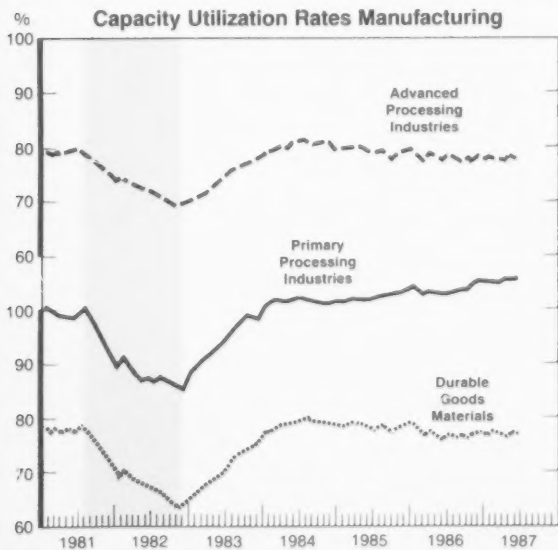
p—preliminary

* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments).



* Source of Forecast is The Energy Information Administration, Department of Energy

Key Determinants of Profit Margin Nonfinancial Corporations



ECONOMIC FORECASTS

		U.C.L.A. ¹ Business Forecasting Project		Merrill Lynch Economics Inc.		E.I. duPont de Nemours & Co.		Georgia State University ¹	
Date of Forecast		Jul., 1987		Jul., 1987		Jul., 1987		Jul., 1987	
		Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change
Gross National Product Billions of Current Dollars									
Actual	1987 II	\$4448.8	6.7%	\$4448.8	6.7%	\$4448.8	6.7%	\$4448.8	6.7%
	III	4529.2	7.4	4517.2	6.3	4535.9	8.1	4524.7	7.0
	IV	4614.1	7.7	4586.2	6.3	4624.0	8.0	4606.3	7.4
	1988 I	4727.9	10.2	4671.0	7.6	4700.3	6.8	4684.3	6.9
	II	4818.0	7.8	4756.2	7.5	4782.7	7.2	4763.7	7.0
	III	4898.7	6.9	4845.3	7.7	4863.9	7.0	4840.8	6.6
	IV	4977.0	6.5	4937.1	7.8	4943.7	6.7	4917.4	6.5
	1989 I	5068.1	7.5	5031.4	7.9	5008.7	5.4	4983.6	5.5
	II	5157.8	7.3	5120.6	7.3	5070.3	5.0		
	III	5248.3	7.2	5153.7	2.6	5132.3	5.0		
	1987 Annual	4492.5	6.1	4482.5	5.8	4496.6	6.2	4489.4	6.0
	1988 Annual	4855.4	8.1	4802.4	7.1	4822.7	7.3	4801.6	7.0
Gross National Product Billions of Constant (1982) Dollars									
Actual	1987 II	\$3796.4	2.6%	\$3796.4	2.6%	\$3796.4	2.6%	\$3796.4	2.6%
	III	3851.4	3.7	3816.1	2.1	3831.0	3.7	3824.3	3.0
	IV	3876.5	4.8	3834.3	1.9	3863.0	3.4	3848.3	2.5
	1988 I	3933.5	6.0	3856.6	2.3	3891.0	2.9	3872.3	2.5
	II	3969.9	3.8	3878.5	2.3	3917.0	2.7	3894.0	2.3
	III	3993.5	2.4	3901.2	2.4	3948.0	3.2	3914.3	2.1
	IV	4017.5	2.4	3924.7	2.4	3974.0	2.7	3932.8	1.9
	1989 I	4042.8	2.5	3940.6	1.6	3991.0	1.7	3941.6	0.9
	1989 II	4068.5	2.6	3951.6	1.1	4005.0	1.4		0.0
	III	4092.7	2.4	3921.9	-3.0	4019.0	1.4		
	1987 Annual	3819.1	2.8	3804.8	2.5	3815.7	2.8	3810.3	2.6
	1988 Annual	3978.6	4.2	3890.3	2.2	3932.5	3.1	3903.4	2.4
Gross National Product deflator Index, 1982 = 100									
Actual	1987 II	117.2	3.4%	117.2	3.4%	117.2	3.4%	117.2	3.4%
	III	118.2	3.6	118.4	4.1	118.4	4.2	118.3	3.9
	IV	119.0	2.7	119.6	4.2	119.7	4.5	119.7	4.8
	1988 I	120.2	4.1	121.1	5.1	120.8	3.7	121.0	4.3
	II	121.4	3.9	122.6	5.1	122.1	4.4	122.3	4.6
	III	122.7	4.4	124.2	5.2	123.2	3.6	123.7	4.4
	IV	123.9	4.0	125.8	5.2	124.4	4.0	125.0	4.5
	1989 I	125.4	4.9	127.7	6.1	125.5	3.6	126.4	4.6
	1989 II	126.8	4.6	129.6	6.1	126.6	3.6		
	III	128.2	4.7	131.4	5.8	127.7	3.5		
	1987 Annual	117.6	3.1	117.8	3.3	117.8	3.3	117.7	3.3
	1988 Annual	122.0	3.7	123.4	4.8	122.6	4.1	123.1	4.4
Unemployment Rate									
Actual	1987 II		6.2%		6.2%		6.2%		6.2%
	III		6.2		6.2		6.2		6.3
	IV		6.0		6.2		6.2		6.1
	1988 I		5.8		6.2		6.1		6.1
	1988 II		5.5		6.2		6.2		5.9
	III		5.4		6.2		6.2		5.9
	IV		5.3		6.1		6.4		6.1
	1989 I		5.3		6.1		6.6		6.2
	II		5.2		6.4		6.8		
	III		5.2		6.7		6.9		
	1987 Annual		6.3		6.3		6.3		6.3
	1988 Annual		5.5		6.2		6.2		6.0

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

¹Based on preliminary first quarter data.

ECONOMIC FORECASTS (continued)

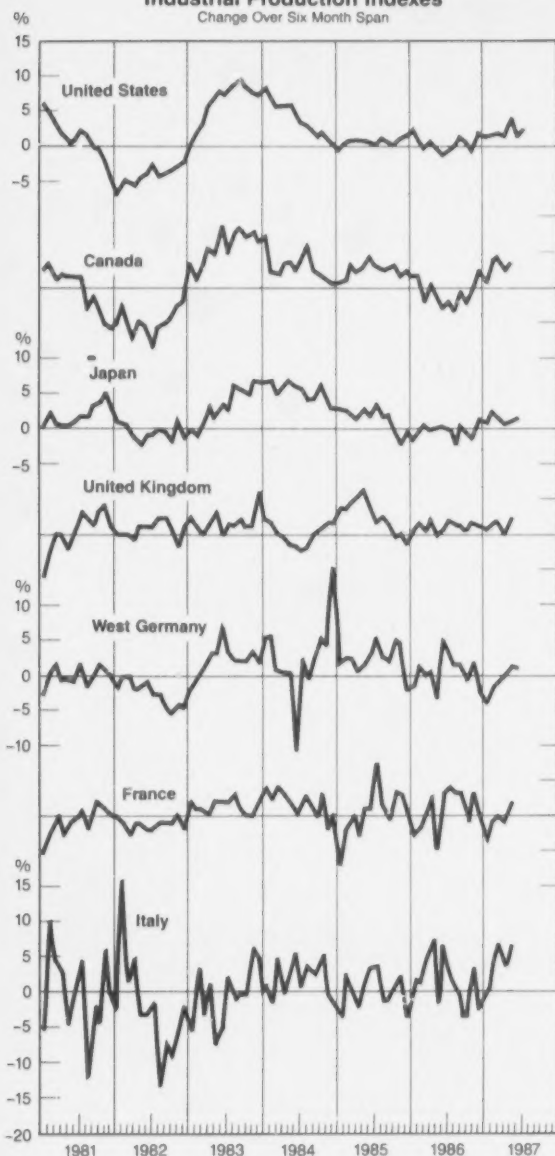
The Conference Board ¹		Laurence H. Meyer Associates, Inc. ¹		Data Resources Inc. ¹		Wharton E.F.A. Inc. ¹				
Jul., 1987		Jul., 1987		Jul., 1987		Jul., 1987		Date of Forecast		
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
Gross National Product Billions of Current Dollars										
\$4448.8	6.7%	\$4448.8	6.7%	\$4448.8	6.7%	\$4448.8	6.7%	II	1987	Actual
4526.0	7.1	4499.2	4.6	4514.7	6.1	4488.9	3.7	III		
4600.0	6.7	4576.1	7.0	4582.0	6.1	4585.1	8.9	IV		
4665.0	5.8	4660.8	7.6	4672.8	8.2	4678.9	8.4	I	1988	
4736.0	6.2	4731.1	6.2	4739.3	5.8	4771.4	8.1	II		
4818.0	7.1	4810.5	6.9	4801.2	5.3	4859.9	7.6	III		
4900.0	7.0	4888.3	6.6	4865.8	5.5	4947.5	7.4	IV		
		4972.5	7.1	4945.7	6.7	5033.3	7.1	I	1989	
		5045.8	6.0	5027.1	6.7	5114.3	6.6	II		
		5119.7	6.0	5110.3	6.8	5194.0	6.4	III		
4488.1	6.0	4475.5	5.7	4480.8	5.8	4475.1	5.7	Annual	1987	
4779.8	6.5	4772.7	6.6	4769.8	6.4	4814.4	7.6	Annual	1988	
Gross National Product Billions of Constant (1982) Dollars										
\$3796.4	2.6%	\$3796.4	2.6%	\$3796.4	2.6%	\$3796.4	2.6%	II	1987	Actual
3822.7	2.8	3808.1	1.2	3817.2	2.2	3800.1	0.4	III		
3842.9	2.1	3838.0	3.2	3848.3	3.3	3843.7	4.7	IV		
3855.4	1.5	3861.9	2.5	3887.9	4.2	3881.1	3.9	I	1988	
3872.4	1.8	3885.6	2.5	3907.6	2.0	3917.1	3.8	II		
3895.4	2.4	3915.6	3.1	3919.6	1.2	3944.5	2.8	III		
3920.0	2.6	3945.9	3.1	3937.8	1.9	3967.1	2.3	IV		
		3974.0	2.9	3958.9	2.2	3986.5	2.0	I	1989	
		3999.8	2.6	3983.6	2.5	4001.4	1.5	II		
		4026.2	2.7	4008.2	2.5	4014.0	1.3	III		
3808.6	2.6	3803.7	2.4	3808.5	2.6	3803.1	2.4	Annual	1987	
3885.8	2.0	3902.3	2.6	3913.2	2.7	3927.5	3.3	Annual	1988	
Gross National Product deflator Index, 1982 = 100										
117.2	3.4%	117.2	3.4%	117.2	3.4%	117.2	3.4%	II	1987	Actual
118.4	4.2	118.1	3.3	118.3	3.8	118.1	3.3	III		
119.7	4.5	119.2	3.7	119.1	2.7	119.3	4.0	IV		
121.0	4.4	120.7	5.0	120.2	3.8	120.6	4.3	I	1988	
122.3	4.4	121.8	3.6	121.3	3.7	121.8	4.2	II		
123.7	4.6	122.9	3.6	122.5	4.0	123.2	4.7	III		
125.0	4.3	123.9	3.4	123.6	3.6	124.7	5.0	IV		
		125.1	4.1	124.9	4.5	126.3	5.0	I	1989	
		126.2	3.3	126.2	4.1	127.8	5.0	II		
				127.5	4.2	129.4	5.1	III		
117.8	3.3	117.7	3.2	117.6	3.2	117.7	3.2	Annual	1987	
123.0	4.4	122.3	3.9	121.9	3.6	122.6	4.2	Annual	1988	
Unemployment Rate										
	6.2%		6.2%		6.2%		6.2%	II	1987	Actual
	6.2		6.1		6.3		6.3	III		
	6.2		6.1		6.2		6.1	IV		
	6.5		6.1		6.1		6.0	I	1988	
	6.7		6.2		6.0		5.8	II		
	6.7		6.2		5.9		5.8	III		
	6.6		6.2		6.0		5.7	IV		
			6.1		6.0		5.7	I	1989	
			6.2		6.0		5.9	II		
			6.2		5.9		6.1	III		
	6.3		6.3		6.3		6.3	Annual	1987	
	6.6		6.2		6.0		5.8	Annual	1988	

ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes in LOTUS and other formats. For more information, contact Linette Waters at (212) 759-0900.

Selected International Comparisons

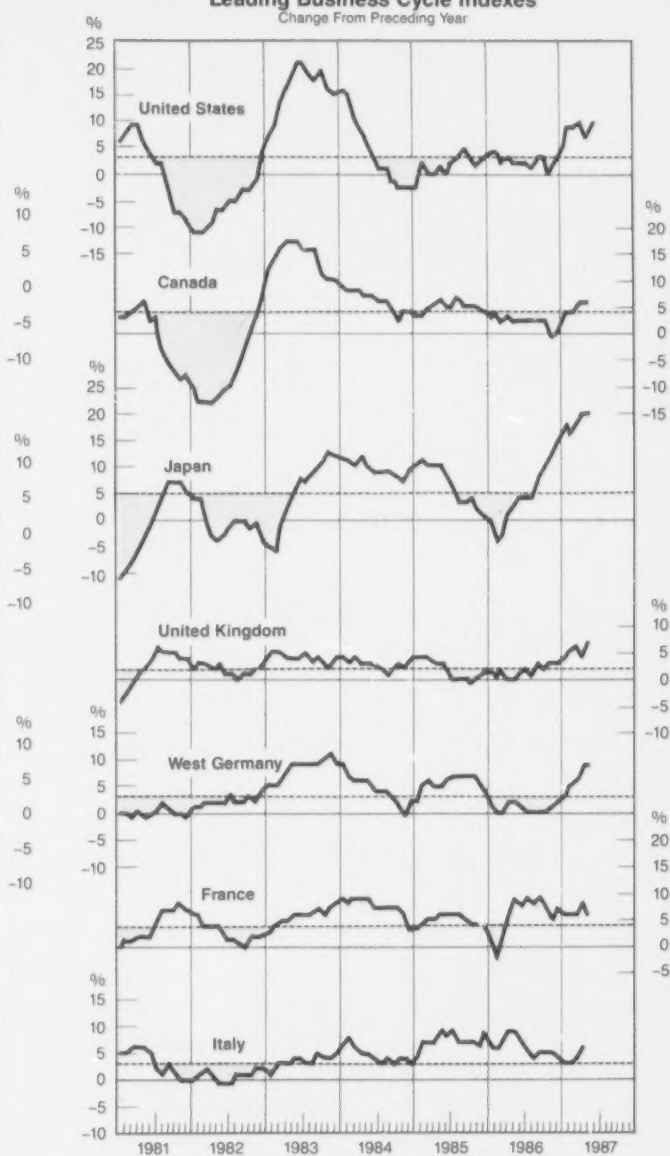
Industrial Production Indexes

Change Over Six Month Span



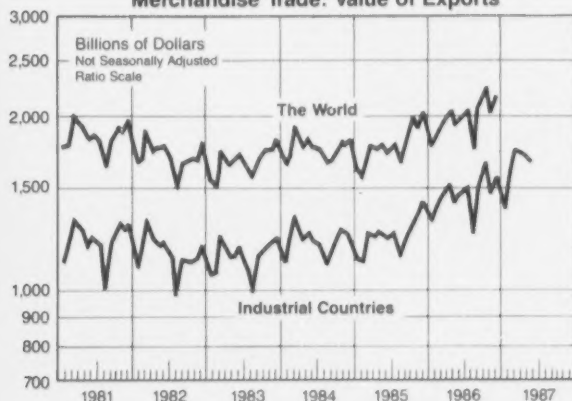
Leading Business Cycle Indexes

Change From Preceding Year

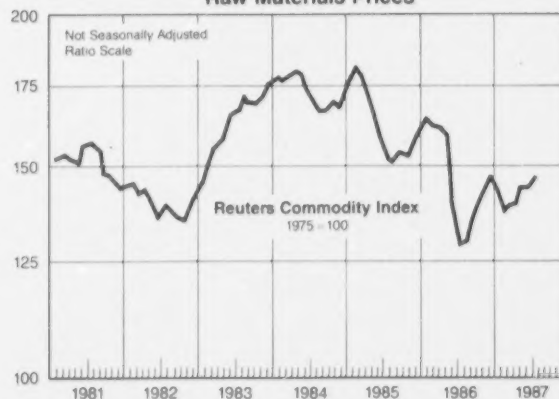


Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports

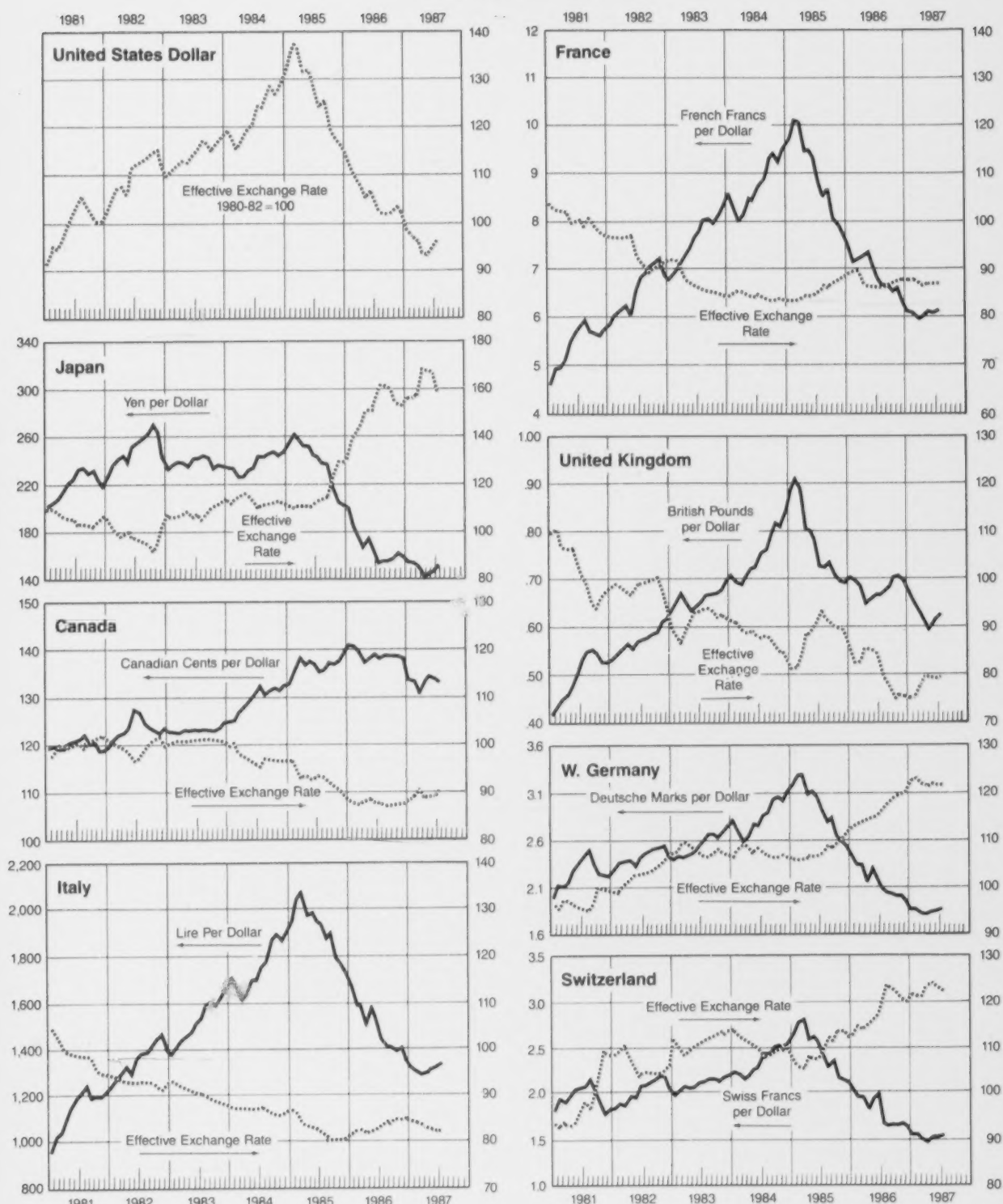


Raw Materials Prices



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates, index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

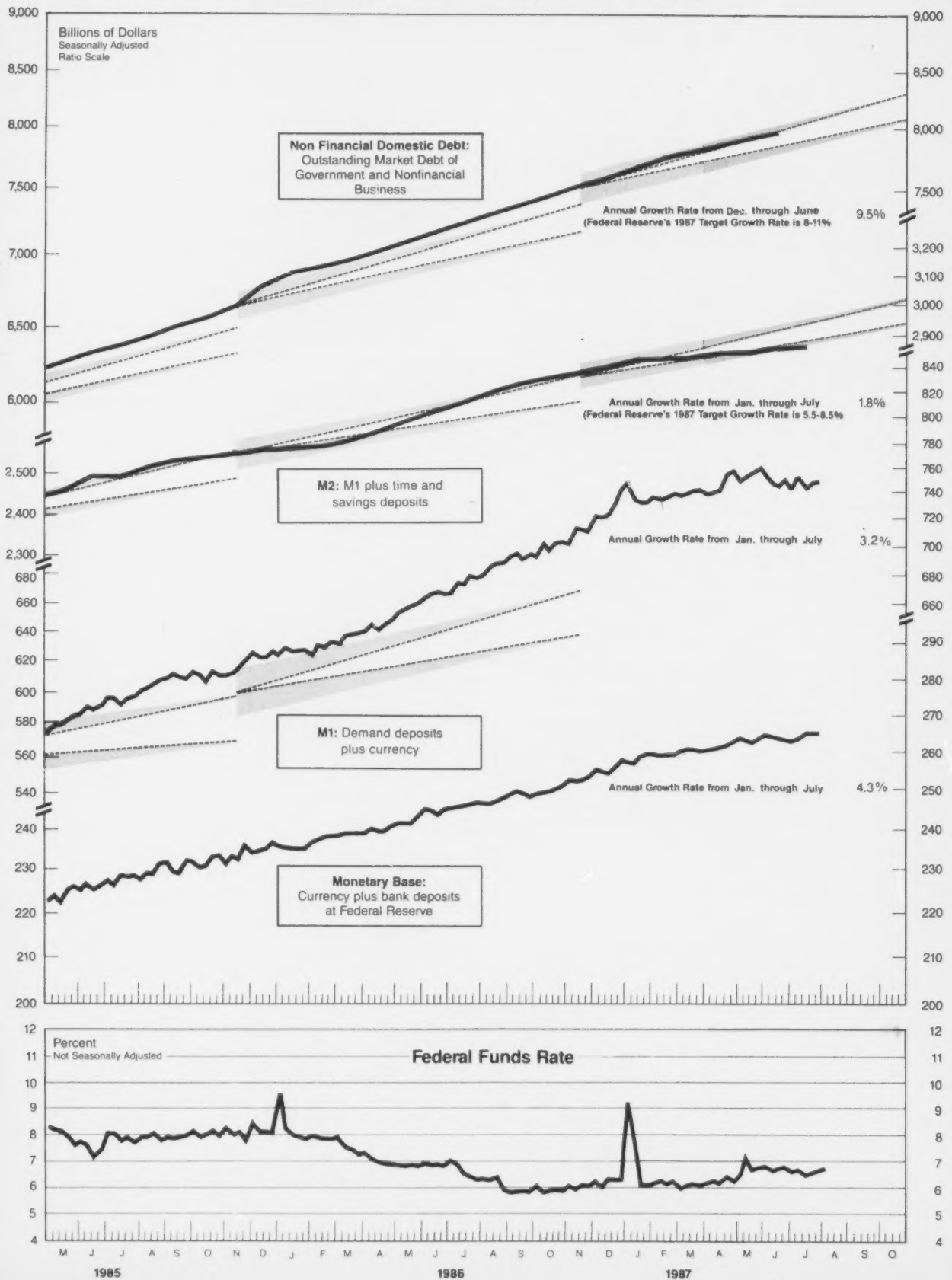
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986	Fiscal 1987	Fiscal 1988	
	Actual	Administration's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimate
		(1/5/87)	(1/5/87)	(6/17/87)
Receipts	\$769.1	\$842.4	\$916.6	\$ 918.1
Outlays	989.8	1,015.6	1,024.3	1,055.5
Deficit	-220.7	-173.2	-107.8	-137.4
Receipts by source	\$769.1	\$842.4	\$916.6	\$ 918.1
Individual income	349.0	364.0	392.8	
Social security	283.9	301.5	333.2	
Corporate income	63.1	104.8	117.2	
Other receipts	73.1	72.1	73.4	
Outlays by function	\$989.2	\$1,015.6	\$1,024.2	\$1,055.5
National defense	273.4	282.2	297.6	289.5
Social security	269.0	279.5	292.4	302.4
Income security	119.8	124.9	124.8	131.5
Health	35.9	39.7	38.9	44.9
Education & manpower	29.7	29.8	28.4	32.9
Veterans benefits	26.4	26.7	27.2	27.4
Transportation	28.1	27.0	25.5	28.3
Agriculture	31.4	31.1	26.3	28.6
International affairs	14.2	14.6	15.2	16.1
Natural resources	13.6	13.9	14.2	15.1
General science	9.0	9.5	11.4	11.1
Justice	6.6	8.3	9.2	9.4
General government	6.1	6.8	7.5	7.2
Community development	7.5	6.2	5.5	6.6
Commerce, Housing credit	4.4	9.3	2.5	7.8
Energy	4.7	3.8	3.3	4.6
Revenue sharing	6.4	1.9	1.5	1.8
Interest	136.0	137.5	139.0	139.3
Allowances	0.0	0.0	- 0.8	- 0.7
Offsetting receipts	- 33.0	- 37.1	- 45.4	- 47.9

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP				
Current Dollar	\$4,218	\$4,493	\$4,816	\$4,779
Constant (1982) Dollar	3,681	3,794	3,928	3,898
Percent change in				
Current dollar	5.5%	6.5%	7.2%	6.9%
Constant (1982) dollar	2.7	3.1	3.5	3.0
Implicit price index	2.8	3.3	3.5	3.8
Consumer price index	1.6	3.0	3.6	4.3
91-Day T bill rate	6.0	5.4	5.6	5.6
Unemployment rate	6.9	6.7	6.3	6.5

Money Supply and Monetary Growth Targets



CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

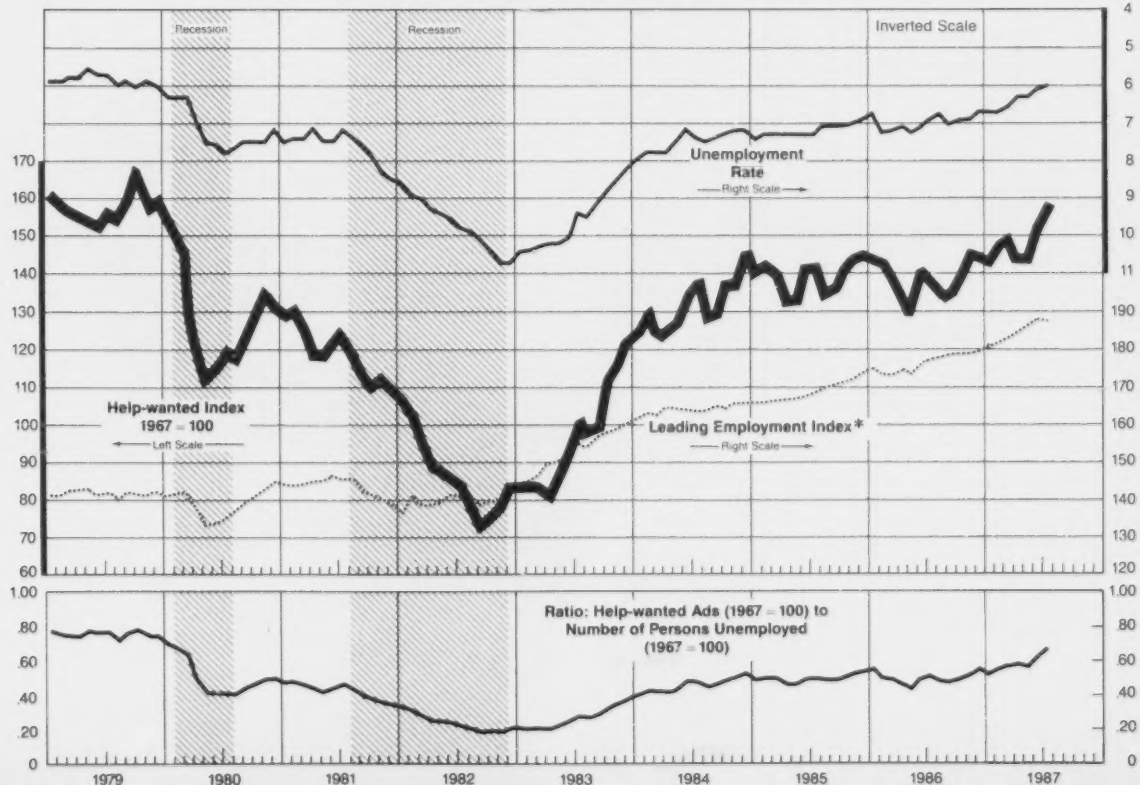
Seasonally Adjusted Indexes, 1967 = 100

Locality	1987			1986			1987			1986		
	Jun.	May	Apr.	Jun.	Jun.	May	Apr.	Jun.	May	Apr.	Jun.	Jun.
National Index	154	144r	144	141								
New England	193	181r	183	171								
Boston	189	185	183	178								
Hartford	196	187	192	171								
Providence	202	162r	174	148								
Middle Atlantic	92	83	82	80								
Albany	265	200	194	192								
Allentown	374	306	302	249								
New York	67	64	64	62								
Philadelphia	79	70	70	72								
Pittsburgh	89	85	82	83								
Rochester	93	82	83	86								
Syracuse	151	135	123	140								
East North Central	105	98r	94	96								
Chicago	118	111	105	101								
Cincinnati	156	148	145	153								
Cleveland	71	63	59	67								
Columbus	184	173	158	163								
Dayton	86	85	81	97								
Detroit	56	56	55	65								
Gary	179	151	129	140								
Indianapolis	125	113r	110	109								
Milwaukee	72	61	67	57								
Toledo	122	123	124	122								
West North Central	96	92	89	94								
Kansas City	144	140	129	169								
Minneapolis	85	80	79	65								
Omaha	139	138	137	121								
St. Louis	68	63	63	70								
South Atlantic	213	189r	203	203								
Atlanta	277	259	251	269								
Baltimore	226	180r	284	249								
Charlotte	199	186	183	159								
Jacksonville	267	238	235	221								
Miami	108	96	96	87								
Richmond	174	161	147	149								
Washington, D.C.	215	194	184	192								
East South Central	172	150	168	152								
Birmingham	167	110	147	161								
Knoxville	260	270	255	203								
Louisville	102	83	78	90								
Memphis	147	144	142	137								
Nashville	240	210	276	206								
West South Central	167	155	151	175								
Dallas	158	136	139	196								
Houston	227	215	205	217								
New Orleans	115	113	109	109								
Oklahoma City	119	102	101	117								
San Antonio	144	142	143	166								
Tulsa	140	130	116	130								
Mountain	315	302r	276	292								
Denver	197	181	172	172								
Phoenix	442	431r	408	439								
Salt Lake City	363	353	294	319								
Pacific	233	231r	230	203								
Los Angeles	164	156	158	141								
Sacramento	443	461	449	378								
San Bernardino	272	272	281	228								
San Diego	560	531	536	464								
San Francisco	235	239r	230	212								
Seattle	217	226	219	198								
Percentage of papers with rising volume	90	73r	18	96								
Unemployment rate	6.1	6.3	6.3	7.1								

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).

r—revised N.A.—not available

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1984	103.9	101.0	101.1	106.1	104.8	105.8	100.4	103.1	100.0	99.1	105.4	97.0
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1r	105.8p					

Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	104.5	104.4	103.1	124.7	109.0	111.3	107.2	108.2	105.3	98.8	93.0	103.6
1987	98.9	93.1	98.7	89.7	113.4	94.5r	93.5p					

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

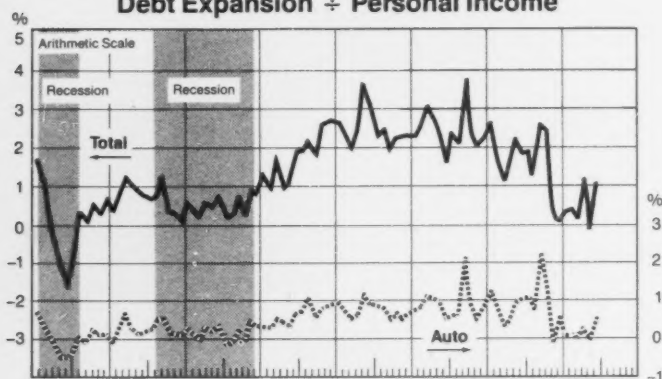
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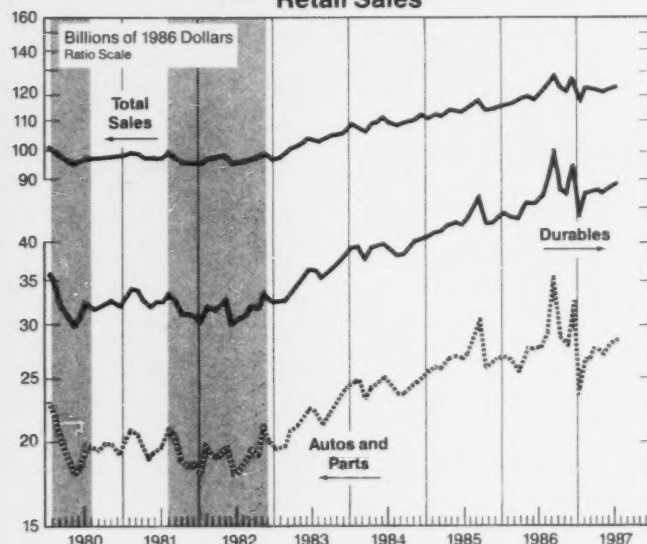
CBDB

ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes, in LOTUS and other formats. Contact Linette Waters: 800-US-BOARD; in NYC, (212) 759-0906.

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



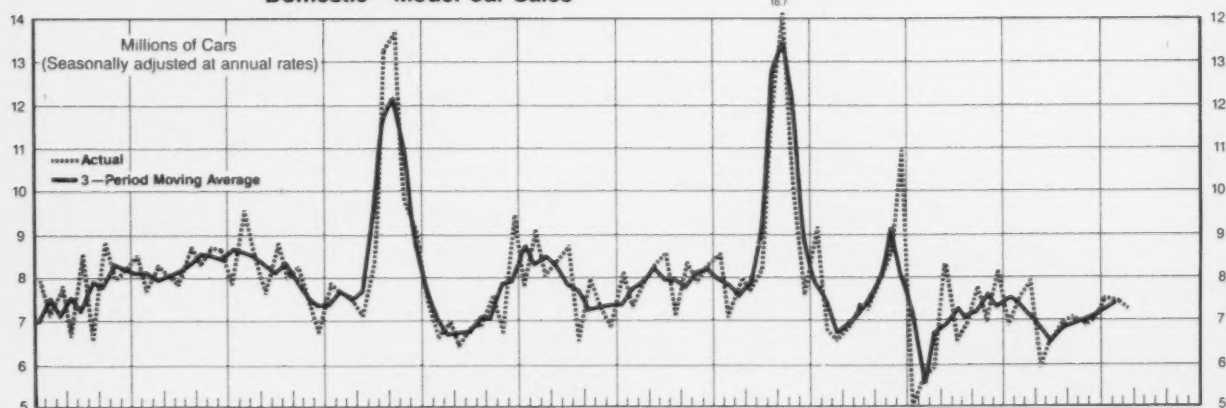
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

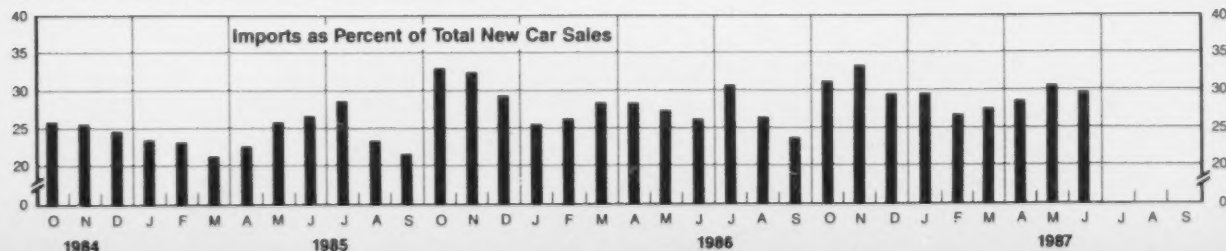
Periods	1984	1985	1986	1987
January:				
1-10	8.16	8.46	7.76	4.78
11-20	7.84	7.66	9.05	5.71
21-31	9.15	8.23	8.02	5.95
February:				
1-10	7.79	8.01	8.36	8.26
11-20	9.17	7.84	8.71	6.46
21-28(29)	7.60	8.69	6.47	6.87
March:				
1-10	7.35	8.27	7.93	7.76
11-20	8.13	8.73	7.23	6.95
21-31	7.35	8.67	6.81	8.13
April:				
1-10	8.88	7.84	8.06	6.85
11-20	7.96	9.48	7.25	7.52
21-30	8.60	8.42	7.92	7.89
May:				
1-10	8.19	7.60	8.30	5.93
11-20	7.74	8.78	8.57	6.44
21-31	8.43	7.96	7.09	6.96
June:				
1-10	7.22	8.21	8.27	6.95
11-20	8.25	7.51	7.84	7.03
21-30	8.10	6.71	8.30	7.45
July:				
1-10	9.51	7.81	8.50	7.42
11-20	8.32	7.63	7.03	7.29
21-31	8.59	7.57	7.96	
August:				
1-10	7.33	7.09	7.64	
11-20	8.07	8.30	8.19	
21-31	7.43	13.23	11.65	
September:				
1-10	8.13	13.64	18.67	
11-20	8.52	9.70	9.87	
21-30	6.03	9.10	7.58	
October:				
1-10	7.83	7.40	9.07	
11-20	7.07	6.57	6.72	
21-31	7.70	6.92	6.51	
November:				
1-10	6.60	6.40	6.80	
11-20	8.44	6.81	7.32	
21-30	6.57	6.91	7.23	
December:				
1-10	8.75	7.56	7.95	
11-20	7.96	6.69	8.54	
21-31	8.19	9.31	10.93	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales



Imports as Percent of Total New Car Sales



17179000001 000 000
Statistical Reference Index
Acquisitions
4520 East West Highway - Suite 800
Bethesda, MD 20814

STATISTICAL BULLETIN

10/26/87 R4105-3 A

Highlights

- HOME SALES STILL IN A SLUMP BUT CAR SALES ARE REBOUNDING
- AND TOTAL CONSUMER DEMAND HAS QUICKENED ITS PACE
- LABOR MARKET ACTIVITY IS QUITE STRONG
- INDUSTRIAL CONDITIONS ARE IMPROVED
- BUT, INFLATION JITTERS UNSETTLE FINANCIAL MARKETS
- AS DOES THE LACK OF PROGRESS ON THE TRADE DEFICIT
- INTEREST RATES ARE MOVING UP
- OUTLOOK • AVERAGE ECONOMIC GROWTH OF CLOSE TO 3% OVER LAST HALF OF 1987 AND FIRST HALF OF 1988

Volume 20, No. 9, September, 1987

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The Conference Board



THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: The U.S. economy is displaying renewed vigor as it approaches its 6th year of expansion. And that's problematic. The prospect of an overheated economy generating inflation has already helped to push interest rates higher. Moreover, given the U.S. appetite for foreign goods, domestic economic growth is pulling up imports, worsening the trade deficit.

The combination of higher interest rates and a wider trade deficit could weaken domestic economic growth. However, the consensus of the **Economic Forecasts** is that the economy will probably be able to maintain a 2½% to 3% rate of growth through mid-1988. That forecast is supported by continued increases in consumer demand as well as recovery in business investment. The intensity of global competition is fueling investment, and ample corporate cash flow is helping to finance it.

Whether growth will begin to dissipate depends, in part, on what happens to interest rates and the trade deficit. But it is also tied to sustained momentum in consumer demand for domestic and/or imported goods, after 5 years of strong expansion.

DOMESTIC MARKET MONITOR

The good news on the labor front requires a few qualifiers. Economic growth has been fast enough in recent months to keep pace with the growth of the adult population. Yet the unemployment rate dropped sharply—to 5.9% in August, from 6.3% in May. That might be indicating that some potential jobseekers remain on the sidelines. Indeed, most of the new jobs have gone to teenagers and minorities. There was no rise in adult white male employment over the last 3 months.

One of the more positive trends in the labor market is that job growth is well distributed between service and goods industries. And hiring will probably continue. The Conference Board's **Help-wanted Index**, a measure of labor demand, approximated its all-time peak level this Summer. More people are working and some are working longer. Hours worked in nonmanufacturing were 1.1% higher in August than in May.

INCOME: Hourly pay rates have started to climb. The average in private industry was \$9.03 in August, compared with \$8.77 in July. Last August, the average hourly rate was \$8.77.

Vigorous wage growth reflects more workers, some working longer hours and some getting more money per hour. Wages in commodity-producing industry were 0.7% higher in July than 3 months earlier. Wages in other industries were 1.2% higher.

Consumer borrowing remains quite subdued. New auto debt, associated with a pickup in car sales, has been the only noticeable change in recent months. As auto sales have historically been interest-rate sensitive, the rise in auto debt may prove short-lived.

All the good news about jobs and wages has bolstered consumer attitudes. The Conference Board's **Consumer Confidence Index** stood at 110.1 (1985=100) in August, compared with 85.4 in January. In addition to a more favorable assessment of current conditions, expectations about near-term job and pay prospects have risen.

SPENDING: Consumer buying is firmly on the upswing. Retail sales, except cars, were 1.1% higher in July than 3 months earlier, despite a 0.4% drop in furniture and appliance sales. Gains in income and positive attitudes should add strength to consumer buying.

New domestic **Automobile Sales** in August were the highest so far this year. Consumers were also buying up foreign cars—and that is reflected on the import side of the trade figures. Higher interest rates could lead to slower sales.

CONSTRUCTION: The slump in the housing market is deepening. Although single-family home sales were as high in July as in the prior 2 months—they were 11% below July, 1986. That single-unit construction is still declining suggests that builders expect the market to continue to be weak. Higher mortgage rates would only dampen demand.

Nonresidential construction is also in a slump. New construction was 3.3% lower in July than 3 months earlier. Despite the decline in activity, construction employment remains unchanged. That might signal some recovery in nonresidential building.

PRODUCTION: Total output was 1.9% higher in July than 3 months earlier. Production gains were fairly similar for intermediate and finished goods. The major exception to this trend was that defense- and space-related output was flat, following substantial increases in Spring 1987.

Continued gains in output are pushing production toward full **capacity utilization**. The overall rate was 80.5% in July, a full point higher than 3 months earlier. These data are probably understating utilization. Low idle resources may add to inflationary pressure.

The recent gains in **new orders** are better than they appear at first glance. Defense orders were 10% lower in July than 3 months earlier. But orders for nondefense capital goods were 11.4% higher — another indication that business investment may be recovering.

Ken Goldstein, Editor

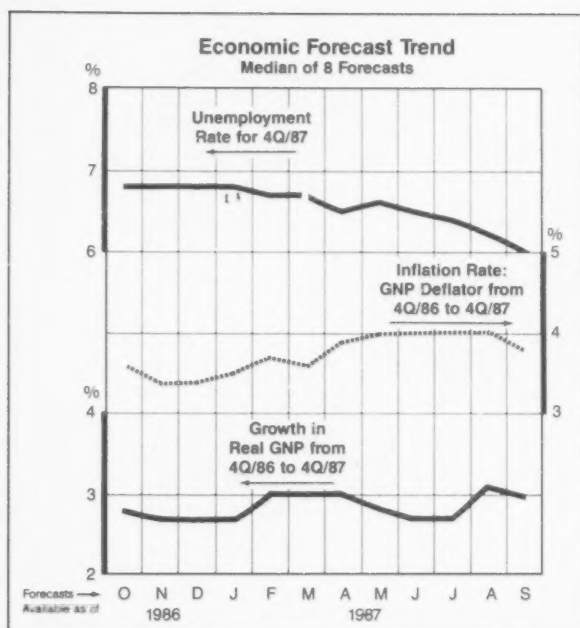
STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.

© 1987 The Conference Board, Inc.
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The Conference Board's survey of **Capital Appropriations and Expenditures** showed that spending rebounded in the 2nd quarter. New spending plans are also on the rise. After 5 years of expansion, and with current expectations of continued growth through 1989, business leaders are trying to muster the resources necessary to keep pace with demand and to compete in globally inter-connected markets.

INVENTORY: The rise in stocks is keeping pace with higher industrial sales. Inventory-to-Sales ratios were generally no higher in June than 3 months earlier. One exception to the trend is that, except for cars at the retail level, durable goods inventory was 1% higher while sales were only up 0.2 percent. This is attributable to weak furniture and appliance sales, which should pick up.

INFLATION: The financial market was responding more to inflation potential than inflation. The year-long rise in commodity prices took a breather this Summer, as did farm prices—except for meat. Raw food prices at the wholesale level were unchanged in August. Energy price rises have slowed. Prices of finished goods were also unchanged in August, after rising by only 0.2% in each of the prior 2 months.

Consumer price increases have slowed. The CPI rose 0.2% in July—half the rate prevailing over the prior 5 months. The price rise for commodities (except food and energy) was 0.3% in July (or 3.8% annualized.) The consensus of the **Economic Forecasts** is still for a 4½% annu-

alized rise in the CPI for 4th quarter 1987; a less than 5½% rise is forecast for 1988.

INTERNATIONAL MONITOR

The trade figures for June and July clearly suggest that domestic economic growth continues to fuel imports. Total imports were 12% higher in July than 3 months earlier.

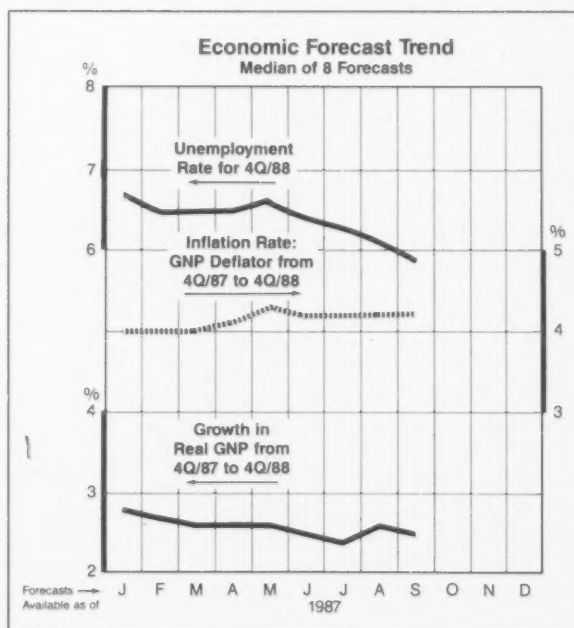
Imports of manufactured goods were 8.5% higher. Much of that increase is attributed to a surge in imports of aircraft and parts. Imports of all other manufactured goods were 7.3% higher.

Another clue to the import puzzle is the 19% rise in imports of transport equipment from Japan over the last 3 months. Over the same period, shipments from Canada fell by almost one-third and shipments from all other countries were flat.

While growth in the U.S. is helping foreign exporters, U.S. exports face sluggish markets abroad. Total U.S. exports were only 2.5% higher in July than 3 months earlier. And shipments of manufactured goods were actually 2.3% lower.

Exports to Japan were 18% higher in July than 3 months earlier. Exports to the EEC rose by a similar percentage. But exports to other European countries were 7.4% lower and to Canada, 24% lower.

Ken Goldstein
September 14, 1987

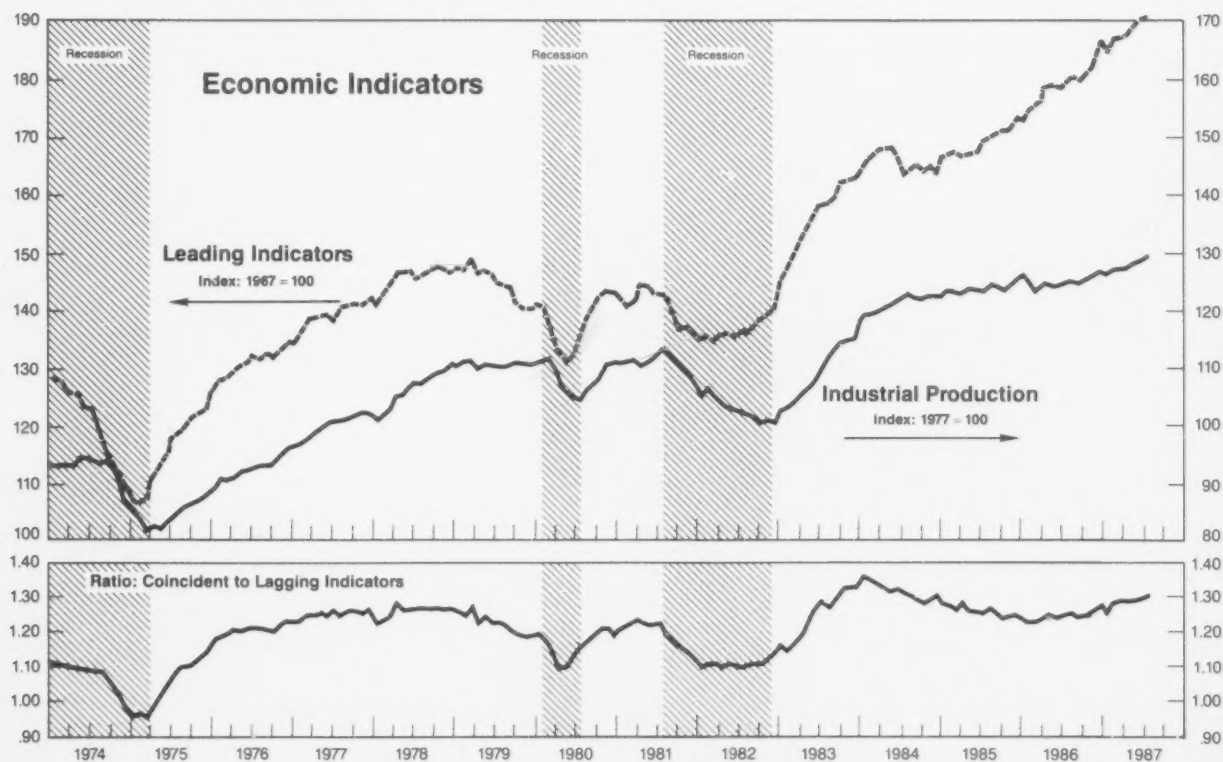


STATUS OF LEADING ECONOMIC INDICATORS

		Rising (Classification based on movement of series over several months)	Level	Declining	Change over Latest Three Months	Change from Year-Ago
Leading Economic Indicators	Jul.	X			2.1%	6.6%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Jul.	X			6.1%	10.3%
*New orders, nondefense capital goods (deflated)	Jul.	X			5.8%	11.1%
*New business formation	Jul.			X	- 3.5%	- 2.3%
*Housing permits	Jul.			X	- 6.9%	-16.4%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Jul.			X	- 2.1%	4.1%
*Change in inventory, on hand & order (deflated)	Jun.	X			8.5%	36.8%
Purchasing agents' buying policy	Jul.			X	- 5.0%	2.0%
*Vendor performance, reported slower deliveries	Jul.	X			5.0%	8.0%
Industrial raw materials prices	Aug.	X			5.6%	35.8%
*Change in sensitive material prices	Jul.	X			2.1%	1.5%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Jul.		X		- 0.5%	1.6%
Change in business loans	Jul.			X	-56.4%	-53.7%
*Change in credit outstanding	Jun.		X		3.7%	1.6%
Change in consumer installment debt	Jun.	X			37.6%	-18.6%
Profitability						
Total corporate profits, after tax (deflated)	2nd.Q	X			3.6%	6.9%
*Common stock prices	Aug.	X			13.7%	34.2%
Marginal Employment Adjustments						
*Average workweek, mfg.	Jul.		X		0.4hr	0.4hr
*Initial unemployment claims (inverted)	Jun.		X		4.1%	13.5%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



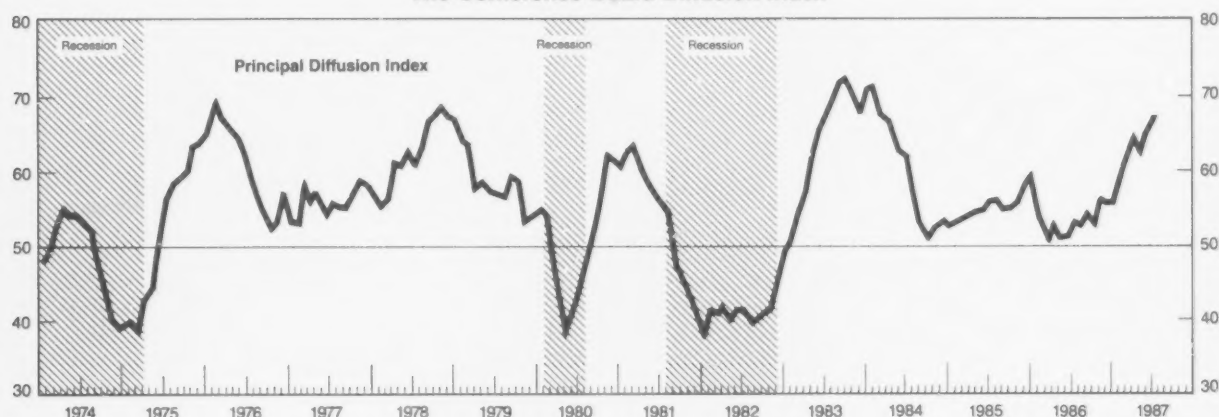
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1986	1987			
	Jul.	Apr.	May	Jun.	Jul.(e)
Principal Diffusion Index	54.1	64.3r	62.7r	65.1r	67.3
Auxiliary Diffusion Index	56.9	57.4r	44.8r	58.0r	57.2
Industrial Group	51.1	60.8	59.7	63.4r	64.7
Nonindustrial Group	57.1	67.7r	65.6r	66.8r	70.0
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	67.5	68.8	68.8	73.5r	77.8
Labor	44.7	57.8	55.5	57.4r	60.6
Miscellaneous	42.3	56.4	56.4	63.5	55.1
Nonindustrial Subgroups					
Prices	67.3	82.1	85.3	88.5	91.7
Consumer	73.9	73.9	67.9	72.6	71.8
Building	29.5	50.6	44.2	45.5r	53.8
Miscellaneous	51.7	63.2r	64.5r	60.7r	64.5

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1984			1985				1986				1987
	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May
Score (scale 0-100)												
Measure of Business Confidence	61	57	61	52	51	55	61	61	50	51	55	55
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	70	57	62	48	45	53	63	61	44	50	56	55
2. Expectations for Economy, Six Months Ahead	57	57	61	53	53	56	62	62	52	51	54	53
3. Expectations for Own Industry, Six Months Ahead	57	58	61	55	54	56	59	60	54	53	56	56

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

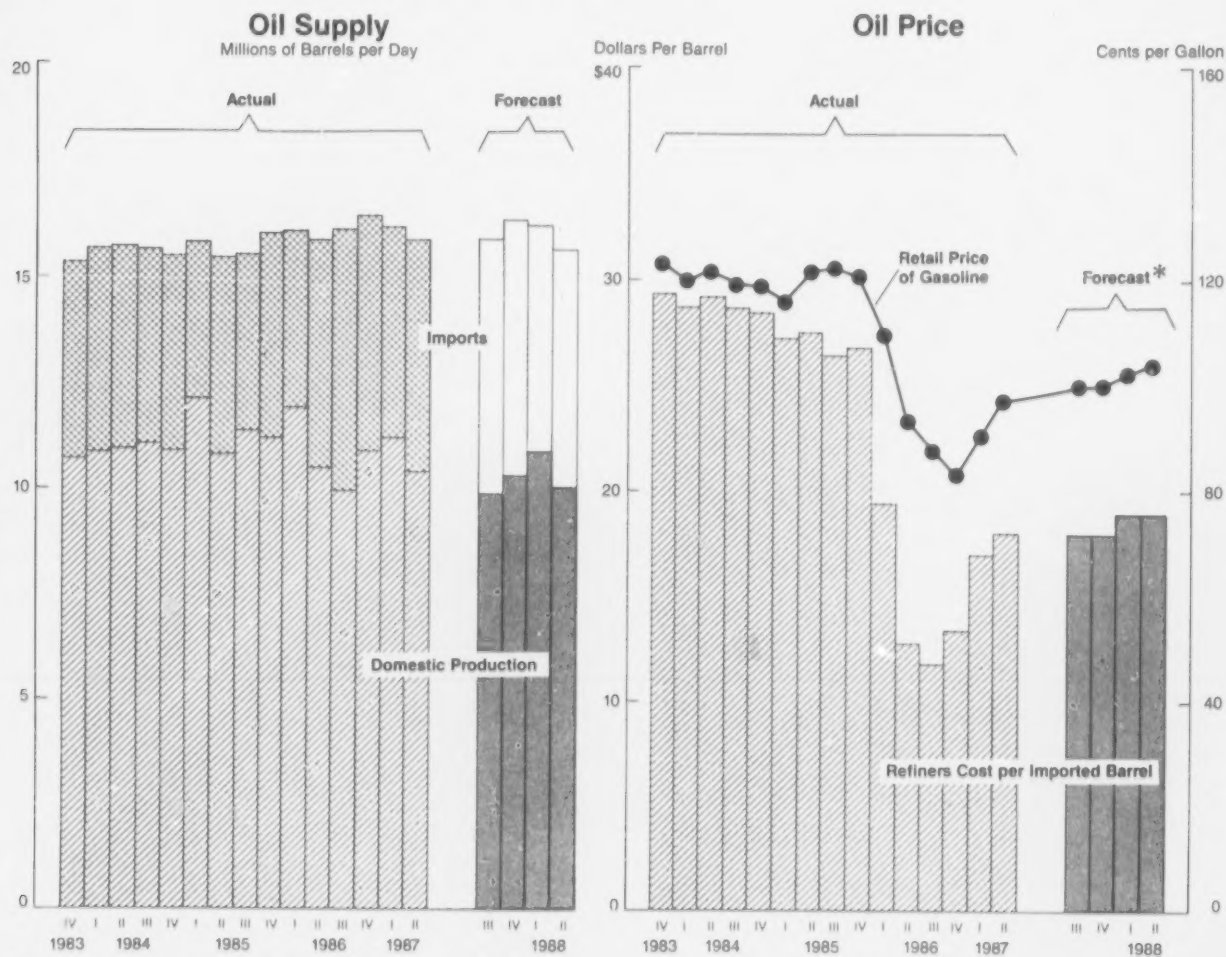
	1985	1986				1987		Percent Change From Previous Year	
	IV	I	II	III	Ir	IIp	Actual	Estimate	
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	27.190	23.386	19.991	20.203	21.441	26.235	- 2	15	
Capital expenditures	26.336	23.566	24.309	22.444	20.801	22.897	- 6	5.5	
Change in appropriations backlog*	-2.594	-2.368	-6.447	-5.241	-0.549	+2.702			
Durable Goods									
New appropriations	12.005	11.613	9.578	10.051	9.746	13.232	- 3.5	16	
Capital expenditures	12.676	11.479	11.880	12.186	11.124	11.288	- 6.4	1.5	
Change in appropriations backlog*	-3.063	-1.582	-3.624	-3.986	-1.791	+1.594			
Nondurable Goods									
New appropriations	15.185	11.773	10.413	10.152	11.695	13.003	+ 10.9	13.5	
Capital expenditures	13.660	12.087	12.429	10.266	9.677	11.609	- 3.1	10.5	
Change in appropriations backlog*	+0.469	-0.786	-2.623	-1.074	+1.522	+1.108			
ELECTRIC & GAS UTILITIES									
New appropriations	5.093r	8.692r	9.084	5.094	5.044		+ 3		
Capital expenditures	9.078r	8.417r	7.425	8.115	7.839		- 2.0		
Change in appropriations backlog*	-4.984r	-0.261r	+1.773	-7.325	-0.028				

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised

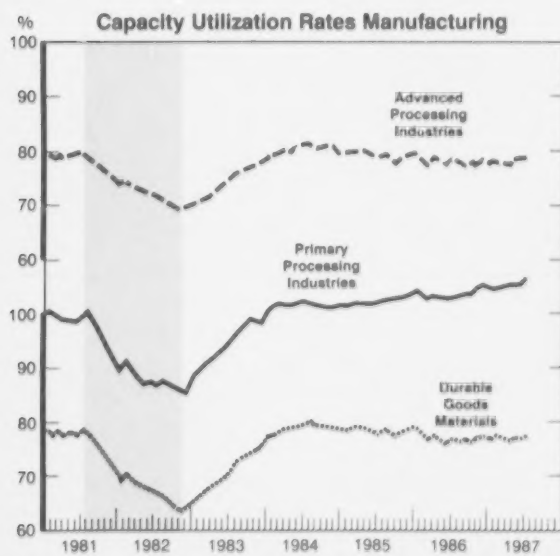
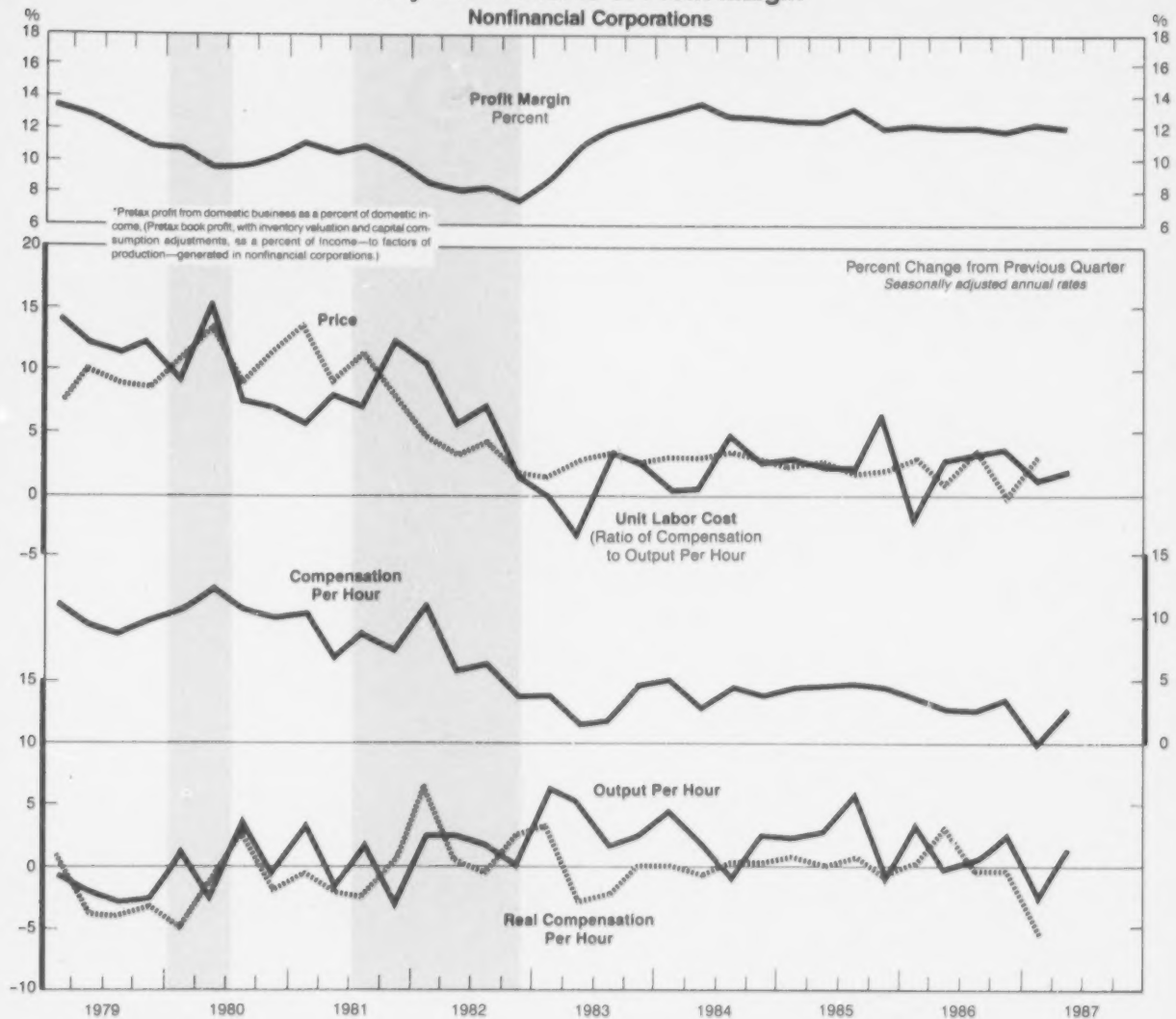
p—preliminary

* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments).



* Source of Forecast is The Energy Information Administration, Department of Energy

Key Determinants of Profit Margin Nonfinancial Corporations



ECONOMIC FORECASTS

		U.C.L.A. ¹ Business Forecasting Project		Merrill Lynch ¹ Economics Inc.		E.I. duPont ¹ de Nemours & Co.		Georgia State University ¹	
Date of Forecast		Aug., 1987		Aug., 1987		Aug., 1987		Aug., 1987	
		Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change
Gross National Product Billions of Current Dollars									
Actual	1987 II	\$4447.7	6.6%	\$4447.7	6.6%	\$4447.7	6.6%	\$4447.7	6.6%
	III	4542.5	8.8	4513.7	6.1	4528.8	7.5	4523.9	7.0
	IV	4617.8	6.8	4588.7	6.8	4614.4	7.8	4577.2	4.8
1988	I	4716.3	8.8	4674.1	7.7	4696.7	7.3	4653.0	6.8
	II	4796.3	7.0	4761.1	7.7	4780.2	7.3	4735.6	7.3
	III	4868.1	6.1	4849.7	7.7	4863.9	7.2	4816.4	7.0
	IV	4937.4	5.8	4940.9	7.7	4943.7	6.7	4894.6	6.7
1989	I	5024.3	7.2	5040.6	8.3	5008.7	5.4	4974.9	6.7
	II	5108.5	6.9	5137.9	7.9	5070.3	5.0	5045.4	5.8
	III	5194.9	6.9	5190.0	4.1	5132.3	5.0		
1987	Annual	4496.4	6.2	4481.9	5.8	4492.1	6.1	4481.6	5.8
1988	Annual	4829.5	7.4	4806.5	7.2	4821.1	7.3	4774.9	6.5
Gross National Product Billions of Constant (1982) Dollars									
Actual	1987 II	\$3793.7	2.3%	\$3793.7	2.3%	\$3793.7	2.3%	\$3793.7	2.3%
	III	3844.8	5.5	3814.9	2.3	3825.0	3.3	3821.5	3.0
	IV	3876.8	3.4	3838.2	2.5	3855.0	3.2	3838.0	1.7
1988	I	3923.0	4.9	3862.1	2.5	3888.0	3.5	3860.6	2.4
	II	3950.8	2.9	3886.0	2.5	3915.0	2.8	3890.9	3.2
	III	3966.7	1.6	3908.4	2.3	3948.0	3.4	3915.3	2.5
	IV	3982.7	1.6	3931.0	2.3	3974.0	2.7	3938.7	2.4
1989	I	4006.1	2.4	3949.6	1.9	3991.0	1.7	3953.6	1.5
1989	II	4028.7	2.3	3965.0	1.6	4005.0	1.4	3962.9	0.9
	III	4051.6	2.3	3947.8	-1.7	4019.0	1.4		
1987	Annual	3821.9	2.9	3804.8	2.5	3811.5	2.6	3806.4	2.5
1988	Annual	3955.8	3.5	3896.9	2.4	3931.3	3.1	3901.4	2.5
Gross National Product deflator Index, 1982 = 100									
Actual	1987 II	117.2	3.4%	117.2	3.4%	117.2	3.4%	117.2	3.4%
	III	118.1	3.1	118.3	3.7	118.4	4.0	118.4	4.0
	IV	119.0	2.9	119.6	4.2	119.7	4.5	119.3	3.0
1988	I	120.2	4.2	121.0	5.0	120.8	3.7	120.5	4.3
	II	121.4	4.0	122.3	5.0	122.1	4.4	121.7	4.0
	III	122.7	4.4	124.1	5.2	123.2	3.7	123.0	4.4
	IV	124.0	4.1	125.7	5.3	124.4	4.0	124.3	4.1
1989	I	125.4	4.7	127.6	6.3	125.5	3.6	125.8	5.1
1989	II	126.8	4.5	129.6	6.3	126.6	3.6		
	III	128.2	4.5	131.5	5.9	127.7	3.5		
1987	Annual	117.6	3.1	117.8	3.2	117.8	3.3	117.8	3.3
1988	Annual	122.1	3.7	123.3	4.7	122.6	4.1	122.4	3.9
Unemployment Rate									
Actual	1987 II		6.2%		6.2%		6.2%		6.2%
	III		6.0		6.0		6.0		6.0
	IV		5.9		5.9		6.0		6.1
1988	I		5.6		5.9		6.0		6.1
1988	II		5.5		5.9		6.1		6.0
	III		5.4		5.9		6.2		6.0
	IV		5.4		5.9		6.4		5.9
1989	I		5.4		5.9		6.6		5.9
	II		5.4		6.1		6.8		5.8
	III		5.4		6.4		6.9		
1987	Annual		6.2		6.2		6.2		6.2
1988	Annual		5.5		5.9		6.2		6.0

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

¹Based on first revised second quarter data.

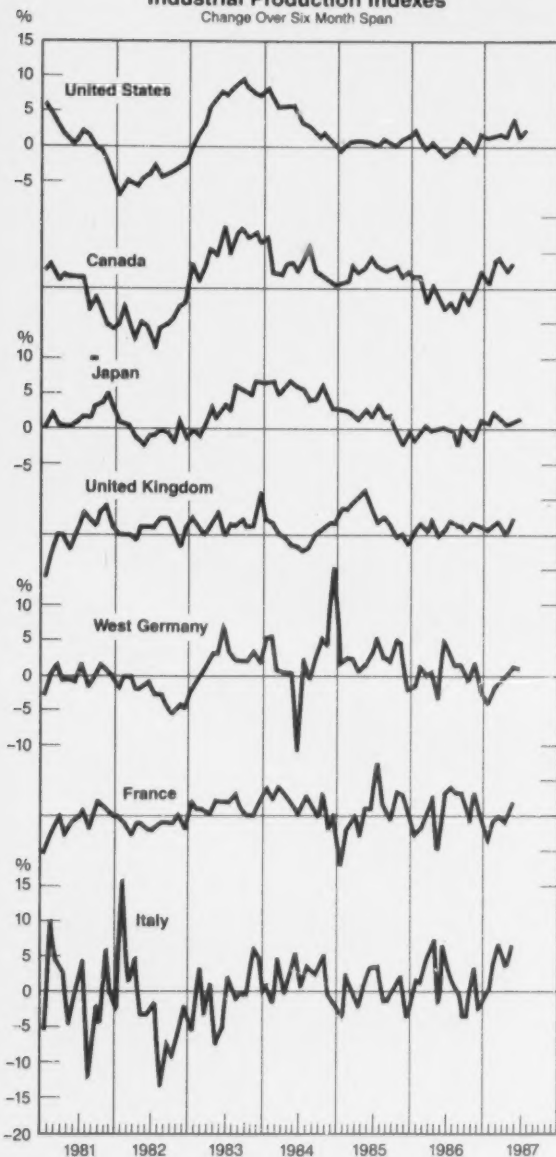
ECONOMIC FORECASTS (continued)

The Conference Board ¹		Laurence H. Meyer Associates, Inc. ¹		Data Resources Inc. ¹		Wharton E.F.A. Inc. ¹				
Aug., 1987		Aug., 1987		Aug., 1987		Aug., 1987		Date of Forecast		
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
									Gross National Product Billions of Current Dollars	
\$4447.7	8.6%	\$4447.7	8.6%	\$4447.7	8.6%	\$4447.7	8.6%	II	1987	Actual
4526.0	7.2	4504.7	5.2	4520.1	6.7	4501.2	4.9	III		
4610.0	7.6	4576.7	6.5	4582.7	5.7	4577.8	7.0	IV		
4680.0	6.2	4642.0	5.8	4667.5	7.6	4668.5	8.2	I	1988	
4745.0	5.7	4717.0	6.6	4733.9	5.8	4756.1	7.7	II		
4827.0	7.1	4800.7	7.3	4794.1	5.2	4846.8	7.9	III		
4919.0	7.8	4875.2	6.4	4857.5	5.4	4935.3	7.5	IV		
		4965.1	7.6	4940.9	7.0	5017.9	6.9	I	1989	
		5046.1	6.7	5020.4	6.6	5094.8	6.3	II		
		5130.7	6.9	5101.8	6.6	5154.2	4.7	III		
4490.3	6.0	4476.7	5.7	4482.0	5.8	4476.1	5.7	Annual	1987	
4792.0	6.7	4758.7	6.3	4763.3	6.3	4801.7	7.3	Annual	1988	
									Gross National Product Billions of Constant (1982) Dollars	
\$3793.7	2.3%	\$3793.7	2.3%	\$3793.7	2.3%	\$3793.7	2.3%	II	1987	Actual
3829.1	3.8	3812.8	2.0	3823.8	3.2	3808.4	1.6	III		
3857.7	3.0	3841.5	3.0	3847.4	2.5	3839.2	3.3	IV		
3874.2	1.7	3859.5	1.9	3855.0	0.8	3881.5	4.5	I	1988	
3886.2	1.2	3886.6	2.8	3906.0	5.4	3917.8	3.8	II		
3908.5	2.3	3913.6	2.8	3916.9	1.1	3949.2	3.2	III		
3935.2	2.8	3935.4	2.2	3933.0	1.7	3973.5	2.5	IV		
		3963.8	2.9	3959.3	2.7	3995.9	2.3	I	1989	
		3990.0	2.7	3983.0	2.4	4015.8	2.0	II		
		4015.7	2.6	4006.8	2.4	4017.6	0.2	III		
3813.2	2.7	3805.1	2.5	3809.3	2.6	3803.4	2.4	Annual	1987	
3901.0	2.3	3898.8	2.5	3902.7	2.5	3930.5	3.3	Annual	1988	
									Gross National Product deflator Index, 1982 = 100	
117.2	3.4%	117.2	3.4%	117.2	3.4%	117.2	3.4%	II	1987	Actual
118.2	3.3	118.1	3.1	118.2	3.4	118.2	3.3	III		
119.5	4.5	119.1	3.4	119.1	3.1	119.2	3.6	IV		
120.8	4.4	120.3	3.9	121.1	6.8	120.3	3.5	I	1988	
122.1	4.4	121.4	3.7	121.2	0.4	121.4	3.8	II		
123.5	4.7	122.7	4.4	122.4	4.0	122.7	4.5	III		
125.0	4.9	123.9	4.0	123.5	3.7	124.2	4.9	IV		
		125.3	4.5	124.8	4.2	125.6	4.5	I	1989	
		126.5	3.9	126.0	4.1	126.9	4.2	II		
				127.3	4.1	128.3	4.6	III		
117.8	3.2	117.6	3.2	117.7	3.2	117.7	3.2	Annual	1987	
122.9	4.3	122.0	3.7	122.0	3.7	122.2	3.8	Annual	1988	
									Unemployment Rate	
	6.2%		6.2%		6.2%		6.2%	II	1987	Actual
	6.0		6.0		6.1		6.0	III		
	5.9		6.0		6.0		6.0	IV		
	6.2		6.1		5.9		5.9	I	1988	
	6.5		6.1		5.8		5.7	II		
	6.5		6.0		5.8		5.6	III		
	6.3		6.1		5.8		5.5	IV		
			6.0		5.8		5.6	I	1989	
			6.0		5.8		5.7	II		
			6.0		5.8		6.0	III		
	6.2		6.2		6.2		6.2	Annual	1987	
	6.4		6.1		5.8		5.7	Annual	1988	

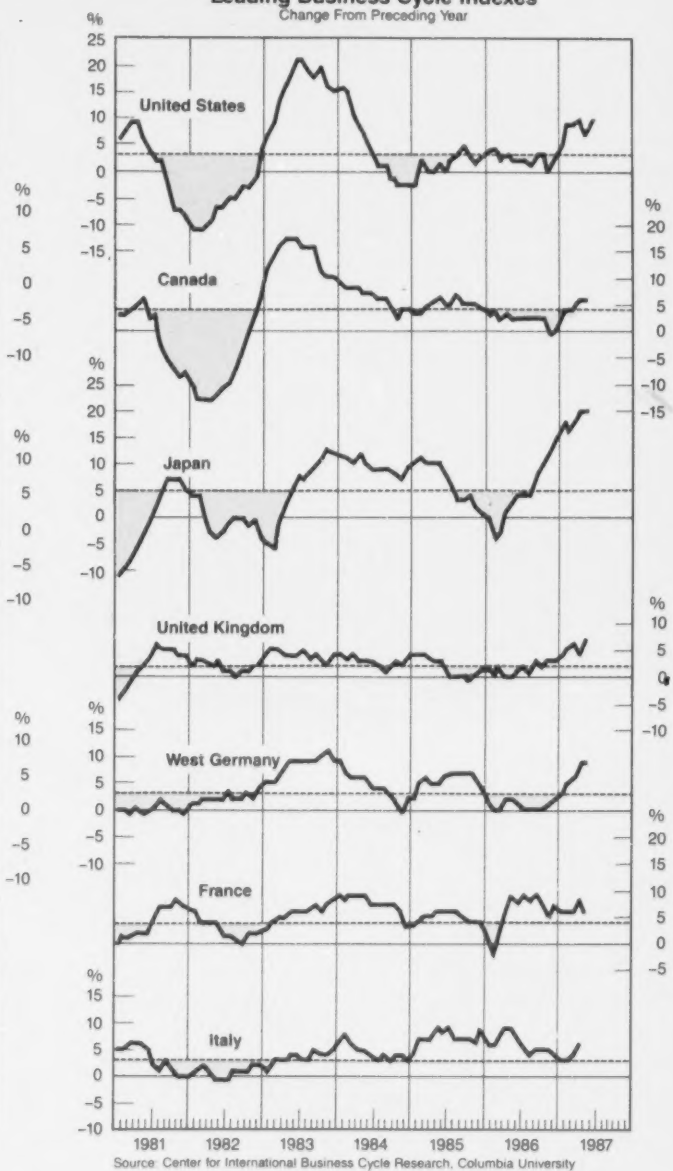
ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes in LOTUS and other formats. For more information, contact Linette Waters at (212) 759-0900.

Selected International Comparisons

Industrial Production Indexes
Change Over Six Month Span

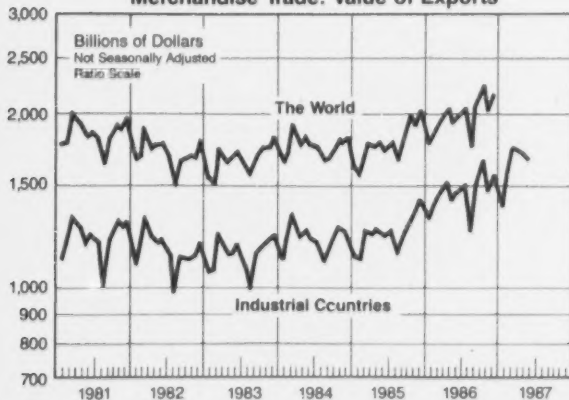


Leading Business Cycle Indexes
Change From Preceding Year

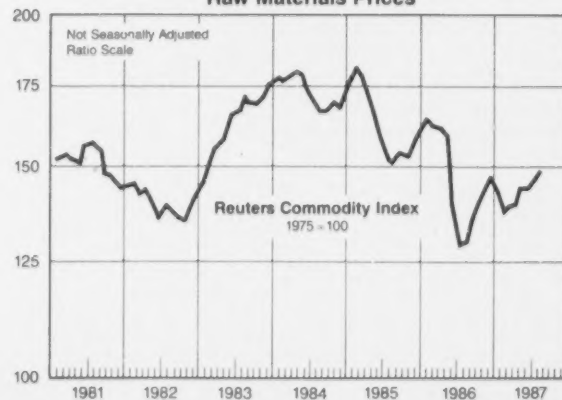


Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports

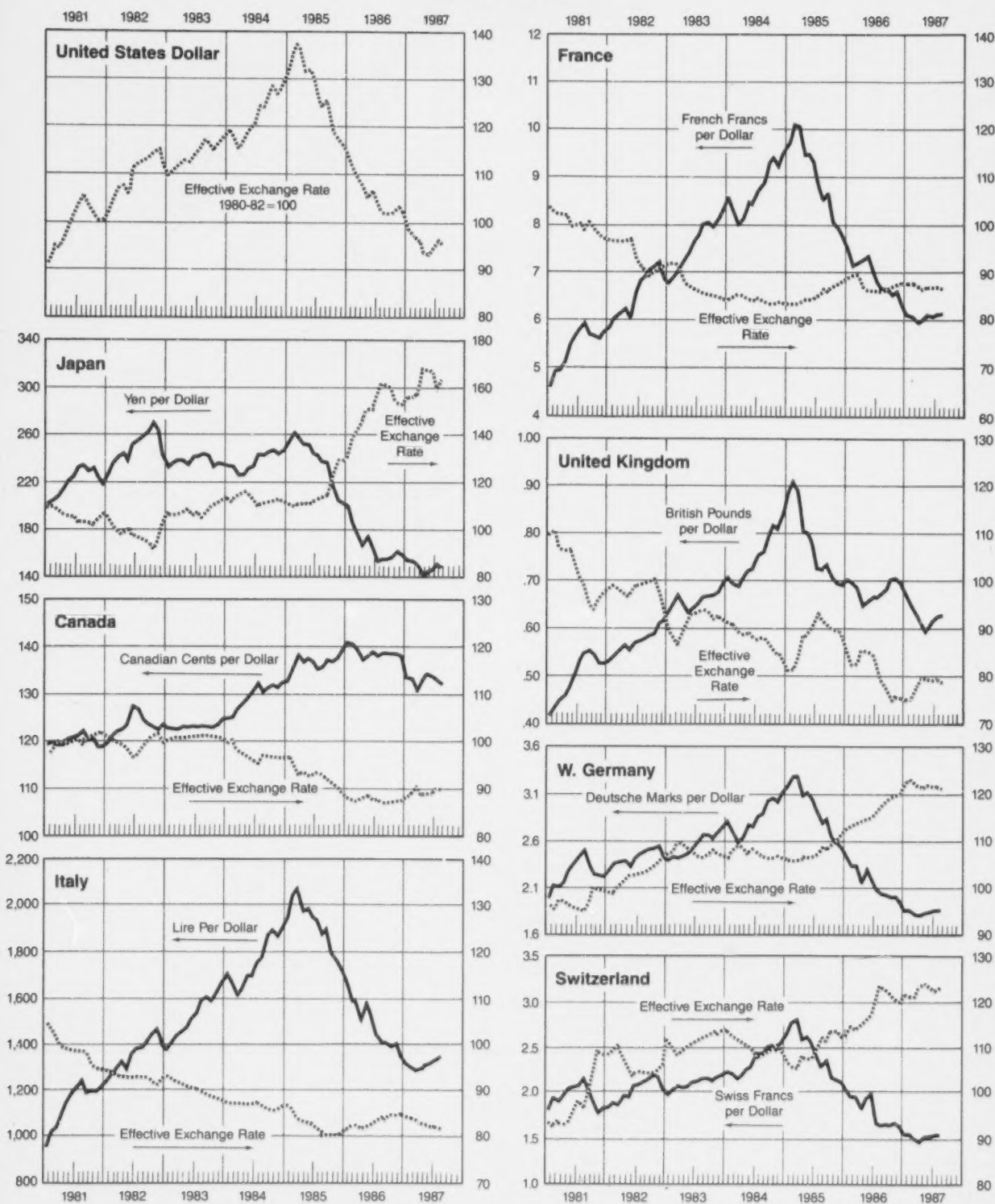


Raw Materials Prices



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

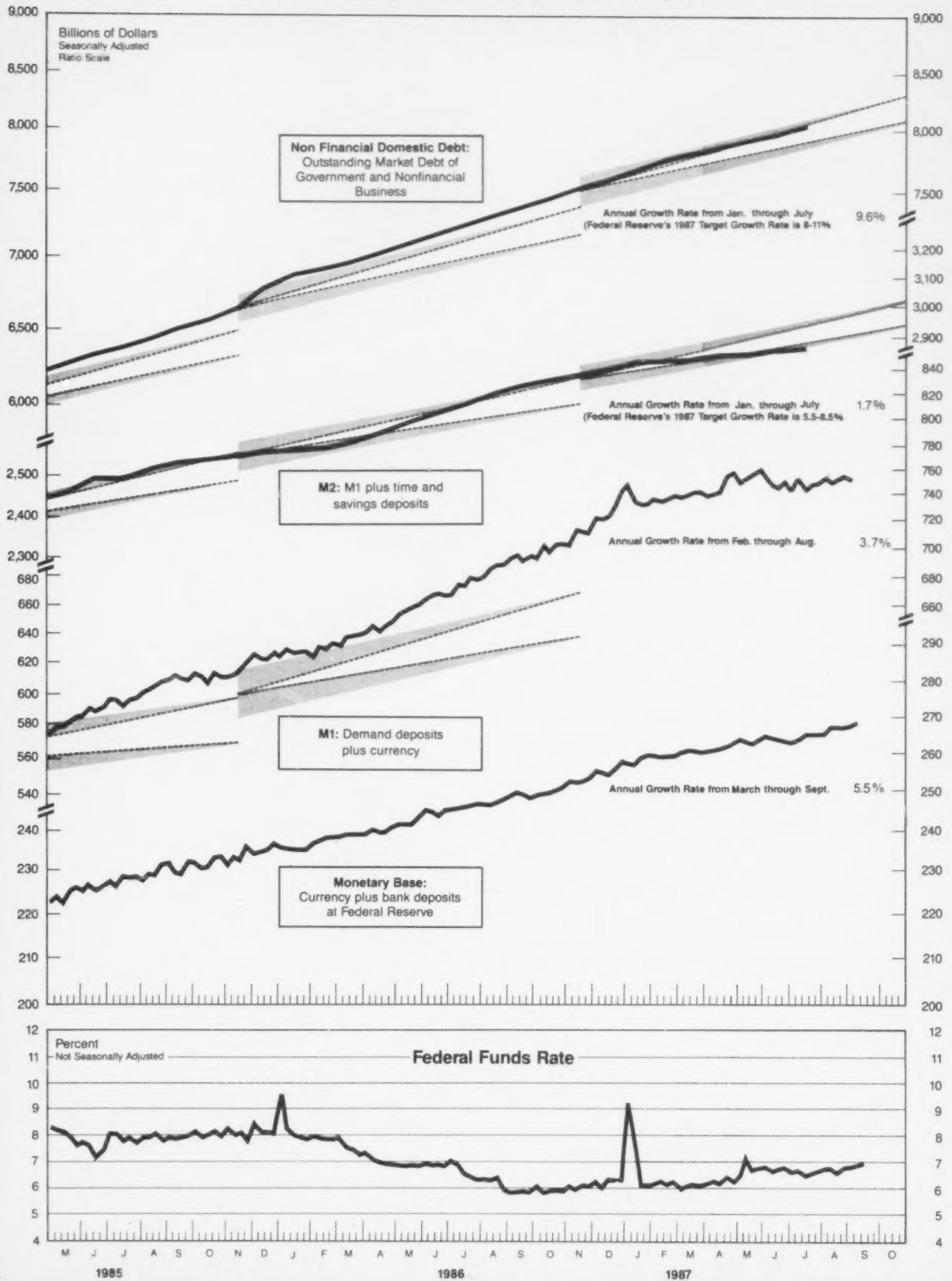
PERSPECTIVE ON THE FEDERAL BUDGET (Billions of Current Dollars)

	Fiscal 1986	Fiscal 1987	Fiscal 1988	
	Actual	Administration's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimate
		(8/17/87)	(8/17/87)	(6/17/87)
Receipts	\$769.1	\$858.5	\$909.0	\$ 918.1
Outlays	989.8	1,016.9	1,032.3	1,055.5
Deficit	-220.7	-158.4	-123.3	-137.4
Receipts by source	\$769.1	\$858.5	\$909.0	\$ 918.1
Individual income	349.0	392.8	396.1	
Social security	283.9	301.9	331.8	
Corporate income	63.1	89.6	105.4	
Other receipts	73.1	74.2	75.7	
Outlays by function	\$989.2	\$1,016.9	\$1,032.3	\$1,055.5
National defense	273.4	282.2	297.5	289.5
Social security	269.0	281.3	293.2	302.4
Income security	119.8	124.0	124.8	131.5
Health	35.9	40.3	40.9	44.9
Education & manpower	29.7	30.7	33.3	32.9
Veterans benefits	26.4	27.0	28.6	27.4
Transportation	28.1	27.6	26.3	28.3
Agriculture	31.4	29.0	21.2	28.6
International affairs	14.2	13.6	14.8	16.1
Natural resources	13.6	14.3	14.8	15.1
General science	9.0	9.6	11.6	11.1
Justice	6.6	8.2	9.3	9.4
General government	6.1	7.0	7.0	7.2
Community development	7.5	6.0	5.4	6.6
Commerce, Housing credit	4.4	8.5	7.5	7.8
Energy	4.7	3.7	3.4	4.6
Revenue sharing	6.4	1.6	1.5	1.8
Interest	136.0	139.6	144.7	139.3
Allowances	0.0	0.0	0.7	- 0.7
Offsetting receipts	- 33.0	- 37.2	- 45.3	- 47.9

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP				
Current Dollar	\$4,218	\$4,491	\$4,830	\$4,779
Constant (1982) Dollar	3,681	3,811	3,936	3,898
Percent change in				
Current dollar	5.5%	6.1%	7.5%	6.9%
Constant (1982) dollar	2.7	2.6	3.3	3.0
Implicit price index	2.8	3.3	4.1	3.8
Consumer price index	1.6	3.6	4.4	4.3
91-Day T bill rate	6.0	5.7	5.5	5.6
Unemployment rate	6.9	6.2	5.9	6.5

Money Supply and Monetary Growth Targets



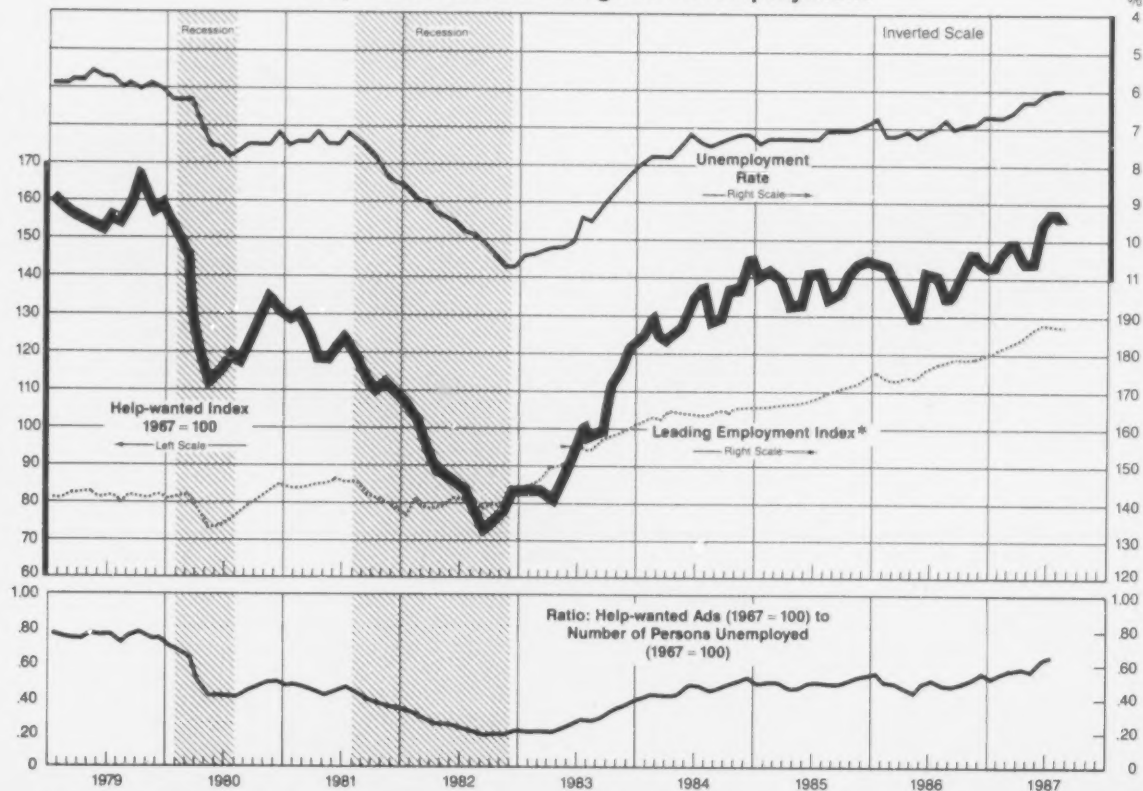
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

Locality	1987			1986			1987			1986		
	Jul.	Jun.	May	Jul.	Jun.	May	Jul.	Jun.	May	Jul.	Jun.	May
National Index	158	155r	144	140								
New England	186	193	181	169								
Boston	184	189	185	172			Charlotte	202	199	186	161	
Hartford	195	196	187	178			Jacksonville	254	267	238	228	
Providence	181	202	162	153			Miami	151	120r	96	87	
							Richmond	167	174	161	143	
							Washington, D.C.	207	215	194	182	
Middle Atlantic	95	92	83	82			East South Central	183	172	150	163	
Albany	300	265	200	187			Birmingham	176	167	110	164	
Allentown	365	374	306	279			Knoxville	263	260	270	206	
New York	66	67	64	62			Louisville	99	102	83	92	
Philadelphia	86	79	70	74			Memphis	145	147	144	128	
Pittsburgh	95	89	85	86			Nashville	284	240	210	260	
Rochester	94	93	82	84			West South Central	170	167	155	170	
Syracuse	162	151	135	147			Dallas	153	158	136	186	
East North Central	105	105	96	94			Houston	238	227	215	219	
Chicago	120	120r	111	103			New Orleans	123	115	113	107	
Cincinnati	157	156	148	148			Oklahoma City	122	119	102	105	
Cleveland	75	71	63	66			San Antonio	138	144	142	159	
Columbus	187	184	173	157			Tulsa	139	140	130	126	
Dayton	85	86	85	87			Mountain	308	315	302	278	
Detroit	57	56	56	61			Denver	211	197	181	187	
Gary	150	179	151	124			Phoenix	407	442	431	383	
Indianapolis	114	125	113	105			Salt Lake City	355	363	353	304	
Milwaukee	83	72	61	65			Pacific	231	235r	231	203	
Toledo	124	122	123	113			Los Angeles	157	164	156	140	
West North Central	95	96	92	95			Sacramento	452	443	461	399	
Kansas City	140	144	140	172			San Bernardino	N.A.	272r	272	242	
Minneapolis	87	85	80	72			San Diego	533	560	531	461	
Omaha	140	139	138	116			San Francisco	239	235	239	208	
St. Louis	64	68	63	65			Seattle	224	217	226	198	
South Atlantic	239	214r	189	194			Percentage of papers with rising volume	55	90	73	45	
Atlanta	279	277	259	274			Unemployment rate	6	6.1	6.3	7	
Baltimore	345	226	180	233								

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1984	103.9	101.0	101.1	106.1	104.8	105.8	100.4	103.1	100.0	99.1	105.4	97.0
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8r	110.1p				

Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	104.5	104.4	103.1	124.7	109.0	111.3	107.2	108.2	105.3	98.8	93.0	103.6
1987	98.9	93.1	98.7	89.7	113.4	94.5	96.0r	96.1p				

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary

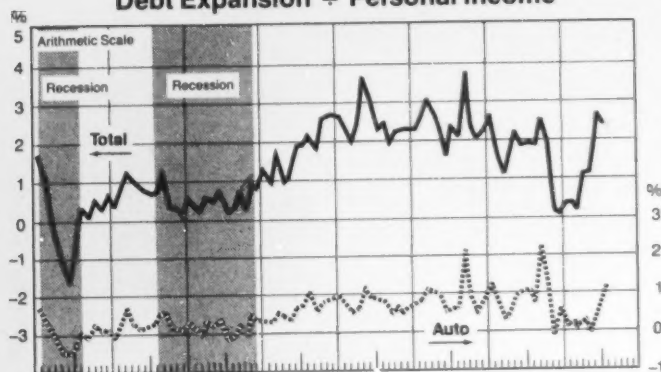
Consumer Confidence and Expectations



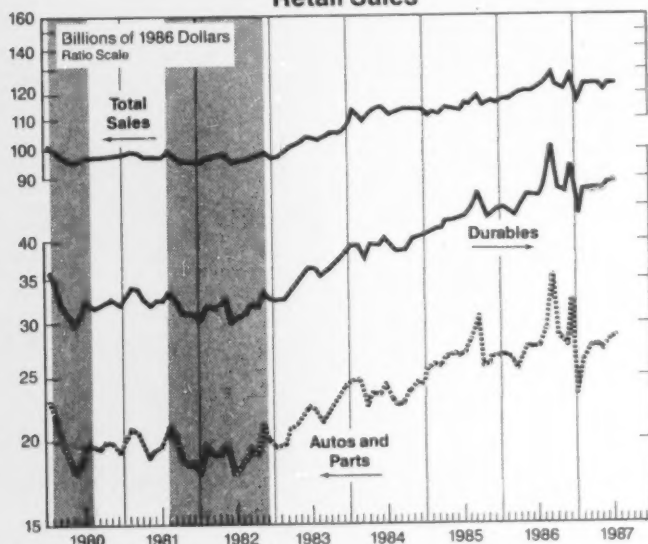
CBDB

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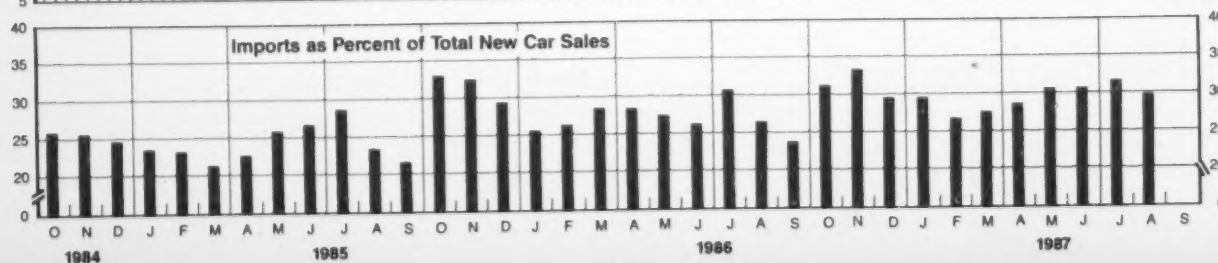
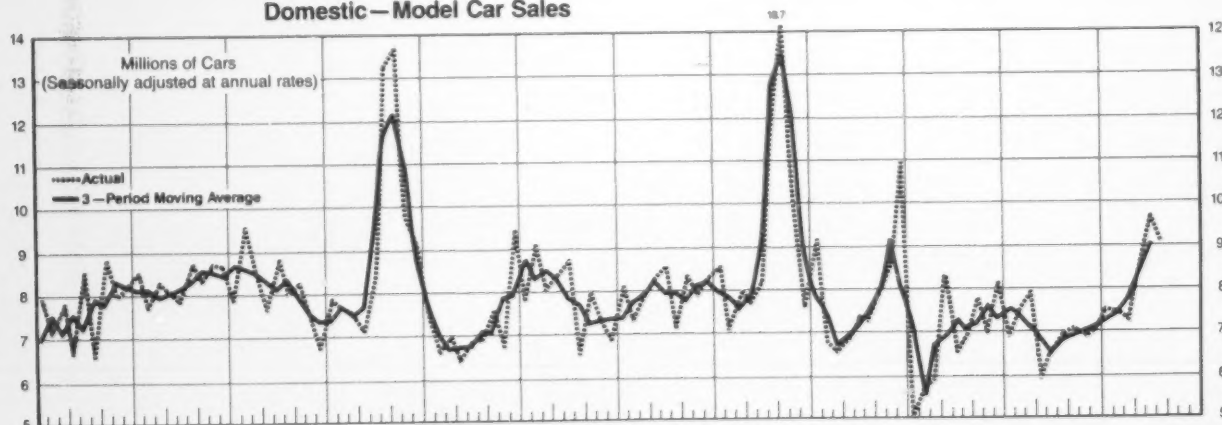
Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



Domestic—Model Car Sales



CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods	1984	1985	1986	1987
January:				
1-10	8.16	8.46	7.76	4.78
11-20	7.84	7.66	9.05	5.71
21-31	9.15	8.23	8.02	5.95
February:				
1-10	7.79	8.01	8.36	8.26
11-20	9.17	7.84	8.71	6.46
21-28(29)	7.60	8.69	6.47	6.87
March:				
1-10	7.35	8.27	7.93	7.76
11-20	8.13	8.73	7.23	6.95
21-31	7.35	8.67	6.81	8.13
April:				
1-10	8.88	7.84	8.06	6.85
11-20	7.96	9.48	7.25	7.52
21-30	8.60	8.42	7.92	7.89
May:				
1-10	8.19	7.60	8.30	5.93
11-20	7.74	8.78	8.57	6.44
21-31	8.43	7.96	7.09	6.96
June:				
1-10	7.22	8.21	8.27	6.95
11-20	8.25	7.51	7.84	7.03
21-30	8.10	6.71	8.30	7.45
July:				
1-10	9.51	7.81	8.50	7.42
11-20	8.32	7.63	7.03	7.29
21-31	8.59	7.57	7.96	8.53
August:				
1-10	7.33	7.09	7.64	9.60
11-20	8.07	8.30	8.19	9.03
21-31	7.43	13.23	11.65	8.99
September:				
1-10	8.13	13.64	18.67	
11-20	8.52	9.70	9.87	
21-30	6.03	9.10	7.58	
October:				
1-10	7.83	7.40	9.07	
11-20	7.07	6.57	6.72	
21-31	7.70	6.92	6.51	
November:				
1-10	6.60	6.40	6.80	
11-20	8.44	6.81	7.32	
21-30	6.57	6.91	7.23	
December:				
1-10	8.75	7.56	7.95	
11-20	7.96	6.69	8.54	
21-31	8.19	9.31	10.93	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.